TRADE AND CURRENCY IN EARLY OREGON

A Study in the Commercial and Monetary History of the Pacific Northwest

BY

JAMES HENRY GILBERT, A. B.

Sometime Garth Fellow in Economics

SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY
IN THE
FACULTY OF POLITICAL SCIENCE
COLUMBIA UNIVERSITY

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PREFACE

THE author's acquaintance with the subject matter of the following monograph began some two years ago with an inquiry into the fiscal history of Oregon. As a result of that inquiry he was impressed by the rapid evolution through which the currency of the Pacific Northwest had passed and the opportunity it afforded for the study of an unusual variety of monetary facts. He at once undertook the task of tracing the development from the commodity currencies of the hunting and early agricultural periods to the solution of the legal-tender problem at the close of the Civil War. Further examination of the subject, however, made it clear that an adequate discussion of the monetary history was impossible without a concurrent treatment of trade, since the connection between the media of exchange and the nature of the transactions settled by them was in this case unusually close and vital. The circumstances under which the settlement of Oregon began compelled a reversion to the cruder forms of production and exchange. During the earlier stages of industrial development in this region the existence of the colony was dependent on the introduction of supplies from without, which, in turn, was contingent on the outgo of some staple product. At first furs were exchanged directly for assorted goods, then the process was complicated somewhat by the barter of wheat for furs; and finally agricultural products were exchanged for gold dust, which, through the operation of

coinage, became the metallic money of the Pacific Coast. It was the activity of the trader that imparted a high degree of exchangeability to the articles which attained successively to the rank of currency. Even in the later period, when the isolation of the settlement was partly overcome, the commercial position of the Pacific Coast States enabled them to reach a solution of the legal-tender problem which, under different circumstances, would have been impracticable. The relation between trade and currency was so intimate at every step that the periods in the development of the one coincide naturally with the stages in the evolution of the other. Thus the scope of the present work has been broadened to embrace a treatment of those facts which, under the time-worn division of economic science, are included under the head of Exchange.

The author is indebted to Mr. George H. Himes, Assistant Secretary and Curator of the Oregon Historical Society, for favors shown him and for suggestions offered while prosecuting his research; and to the Portland *Oregonian* for the use of rare newspaper files. He is also under obligations to Professor E. R. A. Seligman, Professor Henry R. Seager and Professor H. L. Moore of Columbia University who have assisted him in revising and preparing the work for publication.

J. H. G.

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CONTENTS

CHAPTER I

The Fur Trade, British Monopoly, and Beaver Currency

CHAPTER II

Early Agriculture, Alaskan Market and Wheat Currency

CHAPTER III

California Market, Gold Dust and Private Coinage

CHAPTER IV

Civil War, Legal Tenders and the Adherence to Coin

CHAPTER I

The Fur Trade, British Monopoly and Beaver Currency

Every section of the new world has been, at some period in its history, an object of exploitative trade or industry. Fur traders, gold miners and treasure seekers have been the pioneers in the field of exploration and the precursors of civilization and a new economic order. With the failure of resources which invite to exploitation, men, who have traversed rich valleys in search of treasure or navigated majestic rivers in quest of fur-bearing animals, either settle there themselves or pilot others thither to till the soil, to build mills and factories and to freight the streams with the products of diversified industry. It was the trapper and hunter who first crossed the plains and penetrated the forests of the Pacific Northwest, for the earliest visitors had noticed an abundance of fur-bearing animals. The sea-otter found about the bays and inlets of the coast was clothed with a coat of extreme fineness unrivaled for its richness, softness and beauty. Farther inland were the mink and the marten, while forest, lake and stream were teeming with myriads of beavers. From the earliest times furs have been used for clothing and ornament, and, among civilized peoples, they constitute an article of comfort, fashion or luxury according to their quality and beauty. In Russia, China and Turkey during the seventeenth and eighteenth centuries furs formed a part of the official

garb of state, and were highly esteemed as marks of rank and distinction even among the male sex. Up to 1780 the supply of furs for these countries was largely drawn from northern Asia, but about this time the Siberian output failed very rapidly and became inadequate even for the oriental demand.[1]

Attention was now directed to newer fields, and profitable communication was soon established between the native hunters of Alaska and the eastern market; it was reported that the first sea-otter skins from the Northwest sold in Chinese markets at from sixteen to twenty pounds.[2]

During the first half of the nineteenth century fur-bearing animals were hunted with such avidity that the supply fell off very rapidly, although the price remained nearly stationary owing to the substitution of other fabrics of silk, wool or cotton. Notwithstanding the relaxation of the demand and the rapid failure of the supply, however, the amount received by collectors of undressed furs in 1844 reached $3,000,000, and for several years Oregon Territory supplied one million dollars' worth annually.[3]

The natives of the Northwest coast had long practiced the arts of hunting and had clothed their bodies in the skins of wild animals, but were wholly unacquainted with the artificial value imparted to some species of furs by social custom, and were, therefore, eager to exchange any surplus for European trinkets and cheap commodities. An abundance of valuable furs might be had for beads, knives, tobacco and spirits, and a rich harvest

[1] Irving, *Astoria*, p. 512.

[2] Bulfinch, *Oregon and Eldorado*, p. 2.

[3] Greenhow, *Oregon and California*, p. 412.

awaited the trader who should first enter the Northwest region. The attention of the commercial world was first directed to Oregon Territory by the voyage which proved fatal to Captain Cook, the explorer. His successor, Captain James King, on his return made known the high prices which the furs of the sea-otter commanded in Chinese markets, and turned the attention of British merchants to the Pacific Northwest. A brisk trade was developed between the natives and the oriental market as early as 1786.[1]

Not long after the Revolution American traders began to engage actively in the traffic along the coast, the first expedition being made from Boston in the ship *Columbia* and the sloop *Washington*, under the command of Kendrick and Gray, in 1788. Both vessels entered Nootka Sound and spent the summer of 1788 collecting furs. Captain Gray, in charge of the *Columbia*, then carried the furs to Canton and exchanged them for a shipload of teas and other Chinese merchandise. On his return to Boston it was found that the cargo scarcely paid the cost of the expedition.[2] In June, 1791, Gray again entered Fuca's Strait and traded with the Indians during the summer and following winter. Early in the spring he sailed southward along the coast and entered the mouth of the Columbia River where he spent three days trading with the natives. Strictly speaking, neither of these expeditions was worth while from the commercial standpoint, but merely served to open the way for a more profitable trade during the next twenty years. From a historical standpoint, however, the last-named expedition was of utmost importance, since Gray's dis-

[1] Twiss, *Oregon Territory*, p. 18.

[2] Bulfinch, *Oregon and Eldorado*, pp. 3-4.

covery of the Columbia River helped to establish our claim to Oregon Territory.

During the interval between 1792 and 1812 the traffic with the natives was carried on mainly by a group of Boston merchants. Trading vessels entered the bays and inlets along the coast and summoned the natives to bring on their peltries in canoes. Early in the nineties there were as many as twenty-one vessels plying along the coast, nearly all of which were the property of Boston merchants. They gave in exchange for furs West India products, British manufactured goods, and Spanish and Italian wines. After spending two summers collecting furs they would sail for China, sell the peltries, and return to Boston with a cargo of teas, spices, nankeens and other oriental products.

Up to 1812 British and American traders had merely crept along the coast and made no attempt to penetrate into the interior. No effort had been made to organize bands of trappers and hunters, but merchants had depended solely on traffic with the natives. It remained for the enterprise of John Jacob Astor, of New York, to lay the foundation of a great commercial scheme, which contemplated a vast increase in the possibilities of the trade by making all the interior tributary to the coast. Briefly, his plan was to found a chain of trading posts extending from the Mississippi Valley along the Missouri and Columbia rivers to the shores of the Pacific. From a central depot at the mouth of the Columbia all the interior posts could obtain their supplies, and hither all furs might be sent for final shipment. Coasting crafts, fitted out at the mouth of the Columbia, could carry on a prosperous trade with the natives along the coast. Supplies would be forwarded by an annual ship from New York, which, after discharging its cargo, could take on

a load of furs, market them in Canton and return to New York with a cargo of Chinese merchandise. The fullest possible development of the inland trade would contribute directly to Astor's cherished scheme of colonization and help to make his Pacific settlement "the germ of a new civilization beyond the Rockies." [1]

In order to further the execution of his commercial project, Astor obtained a charter from the New York legislature for the American Fur Company with an initial capital of a million dollars and the privilege of increasing it to two million, if necessary. The whole capital was contributed by Astor himself, and, although the company took the form of a corporation, the New Yorker was the sole director.

The failure of such a promising scheme resulted from a series of mishaps involving the loss of ships and cargoes, the hazardous condition of trade during the war of 1812, and the persistent opposition of his Canadian rival, the Northwest Company, which steadily refused to enter into any agreement liable to defeat its purpose of securing a monopoly in the Northwest trade. Astor's party of one hundred and twenty arrived, in the *Tonquin*, at the mouth of the Columbia in March, 1811, and erected a fort on the present site of Astoria. A friendly trade was at once established with the natives in the vicinity, and, after the arrival of an overland party from Saint Louis, bands were sent out to establish five interior posts. Astor's men began to fear the hostility of the Northwest Company, whose traders were already in the valley of the Columbia and had begun to traffic with the Indians. The sites chosen by the American Fur Company were at the mouth of the Lewis River, at Lantou, at a

[1] Irving, *Astoria*, p. 39.

point six hundred miles up the Columbia, at a station on the east fork of the Lewis River, and at a point on the Willamette not far from its mouth. An effort was made to cultivate the friendship of the Indians and to encourage hunting and trapping.

Up to this point all went well; but before long a complete disaster was to overtake the *Tonquin*. After discharging her cargo at Astoria, the vessel sailed northward along the coast and engaged in traffic with the Indians. Too many savages were allowed to board the vessel at once and the crew were overpowered and slain, while the ship itself was wrecked by an explosion of the powder magazine. Having received no word from the *Tonquin* by the following spring, Astor despatched another supply ship, the *Beaver*, with a cargo of valuable merchandise. The vessel was to discharge a portion of its cargo at Astoria, then proceed northward along the coast to New Archangel for the purpose of supplying the Russian posts in Alaska. On returning to Astoria, she should complete her cargo of furs and sail for Canton. It appears that Astor had already entered into an agreement to supply the Russian traders in the north with goods and necessaries in exchange for peltries at stipulated prices. It was a part of the agreement also that Alaskan furs should be carried to Canton and sold on commission and merchandise returned to the Russian posts.[1]

The war was now in progress between the United States and Great Britain and the seas were swept by hostile fleets. Astor delayed sending the next annual supply ship lest it should be taken and plundered. Meanwhile the *Beaver* had reached Canton with the first cargo of furs, arriving in January, 1813. Here the captain was

[1] Irving, *Astoria*, p. 429.

offered $150,000 for furs that had cost the company but little over $25,000. Had the peltries been sold and the proceeds invested in nankeens the cargo would have yielded $300,000 in New York. The captain, however, refused the offer, borrowed money on Astor's credit at eighteen per cent., and lay in the harbor while furs were declining in price and the war was wearing on to a close. In March, 1813, Astor sent a third supply ship, the *Lark*, which was caught in a storm off the coast of the Sandwich Islands, driven ashore, and plundered by the natives.

The partners at Astoria were now growing dissatisfied, and, in July, 1813, signed a manifesto setting forth the gloomy prospect and announcing their intention to abandon the enterprise on the first of June following, unless a supply ship arrived in the meantime with orders from New York. The reasons assigned for taking this step were the failure of supplies from without, the discouraging condition of the inland trade, and, above all, their inability to compete with the powerful and enterprising Northwest Company. The truth was that M'Dougal, who represented Astor's interests on the coast, courted rather than feared the competition of his rival. He had but lately left the service of the Northwesters for partnership with Astor, and his sympathies were still on the side of his Scotch comrades. The agents of the Northwest Company, too, seemed determined to take advantage of Astor's temporary embarrassment to dislodge him from the field. In two memorials to the British government they had complained that the American settlement at the mouth of the Columbia River and the vast scope of its commercial possibilities seriously menaced the trade of the Canadian company. As soon as the partners had announced their

intention of abandoning the enterprise, clerks, voyageurs and servants began deserting for the service of the rival company. Negotiations were now begun for the sale of the post with goods and furs to the Northwest Company, and, on the 16th of October, terms were agreed upon whereby the whole property of the American Fur Company was transferred for a consideration of $58,000, or about one-fourth of its real worth.[1]

The control of this vantage point at the mouth of the Columbia enabled the Canadian company to extend its posts and to take complete possession of the field opened up by Astor. Occupancy by the Northwest Company, however, was destined to be only temporary. Its plans were but half matured when it was forced to yield to a permanent tenant in the form of a great commercial monopoly created, like the East India Company, by royal charter, strengthened by sweeping grants of privilege, and destined soon to exercise, not only a commercial sway, but a quasi-political sovereignty over a dominion larger than many independent kingdoms.

In May, 1669, King Charles II of England incorporated by royal grant an association of traders with Prince Rupert at the head to be known as "The Governor and Company of Adventurers of England trading into Hudson's Bay." The grant comprised the "whole trade and commerce of all those seas, straits and bays, rivers, lakes, creeks and sounds, in whatsoever latitude they shall be, that lie within the entrance of the straits commonly called Hudson's Straits," together with all lands adjacent and tributary to them and not then actually possessed by any English subjects.[2] The region covered by the grant

[1] Greenhow, *History of Oregon and California*, pp. 303–304.

[2] See charter of the Hudson's Bay Company, reprinted in Greenhow, *History of Oregon and California*, pp. 465–466.

embraced an area of 2,250,000 square miles, or one-third that of Europe. The company and its successors were made lord proprietors of this vast domain, holding in fee simple in "free and common socage, and not *in capite* or by knight's services." For the privileges conferred no consideration was asked except an annual payment to King Charles or his heirs of two elks and two black beavers, and even this modest tribute should be rendered only when his majesty should visit Prince Rupert's Land.[1] In addition to commercial privileges, the charter conferred the right to make laws and impose penalties, provided they were not repugnant to the laws, statutes and customs of England. All other subjects of his majesty were forbidden under heavy penalties to "visit, haunt, frequent, trade, traffic or adventure" within the region drained by the streams emptying into Hudson's Bay. The original capital stock was, in 1676, £10,500, which was trebled in 1690 and again in 1720. At the latter date an additional subscription of £3150, likewise trebled, made the total capitalization £103,950.

The field for the Hudson's Bay Company's enterprise was both rich and extensive. Forest and stream abounded in what seemed to be an inexhaustible supply of fur-bearing animals, and the natives could be induced to take and sell the skins for a trifling compensation. At the outset traders found that a beaver skin might be had for a half-pound of glass beads, a half-pound of powder, a comb, a small looking-glass or a quart of brandy.[2] A gallon of liquor, which cost but twenty shillings, after being diluted one-half, would exchange for eight beaver skins worth six pounds; or, if the brandy were exchanged

[1] *Westminster Review*, July, 1867, p. 86.

[2] Bryce, *Remarkable History of the Hudson's Bay Company*, pp. 22–23.

for other skins, the return might be increased to eight pounds instead. A four-penny comb was known to exchange for a bear's skin worth two pounds.[1] The sheer lack of competition and the dependence of the natives on British traders for what soon assumed the importance of necessaries in their sight—fire-arms and ammunition, not to mention blankets, beads and spirits—enabled the company to establish and to maintain a favorable tariff. Within fourteen years from the date of the charter the company was paying fifty per cent. dividends, while from 1690 to 1800 the profits averaged from sixty to seventy per cent.[2] From the conquest of Canada in 1762, French traders became almost extinct, and the trade of that country fell into the grasp of the Hudson's Bay Company as well.

But the harvest was so rich as to excite the cupidity of the unprivileged and to invite competition even within a territory covered by a chartered monopoly. In 1787 the Northwest Company was organized as a partnership in Montreal, and, about 1805, entered the domain of Prince Rupert's Land as a formidable and aggressive rival of the Hudson's Bay Company, and for a time menaced the security it had so long enjoyed. In the impending conflict the capital and chartered privileges were on the side of the English company, while the dash, daring and enterprise were on the side of its rival. The charter of the former conferred exclusive privileges of trade, while the Northwest Company was in the nature of an intruder with few rights save those it usurped. The Hudson's Bay Company had established certain posts at the mouth of streams and other accessible places and induced the natives to resort to these "factories" for purposes of

[1] Nicolay, *Oregon Territory*, p. 163. [2] Bryce, *op. cit.*, p. 24.

trade; but the enterprising Northwesters carried the traffic into the lodges and hunting-grounds of the Indians. The officials and agents of the British company received fixed salaries, while the pay of the Northwesters was proportioned to their success. They received certain stipulated prices for furs, and the principals seldom questioned how they came by them. In many cases, too, Canadian traders were bound to the Northwest Company by debts they could not discharge, and so doomed to perpetual service. Goods were furnished in advance at exorbitant prices, and the partnership was charged with putting into circulation a depreciated "Northwest currency," worth only half as much as the regular Canadian currency. Earnings were reckoned in the latter, while goods were charged for at prices estimated in the former.[1]

The traders of the Montreal company soon entered forbidden fields in every direction, reached out to Hudson's Bay, swarmed across prairies and mountains, and crept down the Columbia to its mouth. Competition between the rival companies, at first merely sharp and aggressive, developed into warfare characterized by barbarous battles fruitful in bloodshed and in pillage. At first the rivalry took the form of an attempt to induce the Indians by threat or promise to deal only with agents of one company. As the conflict deepened, however, servants of the Northwest Company forced entrance into the lodges of the British traders, seized their furs and then compelled the victims to sign statements to the effect that the property relinquished was not their own.

In 1811 Lord Selkirk obtained from the Hudson's

[1] Dunn, *Oregon Territory and the British North American Fur Trade*, p. 28.

Bay Company an extensive grant of land for the purpose of establishing agricultural settlements in the Red River district. A colony of Scotch farmers at this point threatened to be a grave hindrance to the Montreal company, since it lay directly on their route to the northwest, and from this region they were in the habit of drawing supplies for their posts. Despite the opposition of the Northwest Company, however, a colony of Scotch Highlanders was peaceably located there in 1812. In June, 1814, the governor of the new province issued a decree forbidding all persons, under pain of seizure and prosecution, from carrying out of the colony "any provision either of flesh, dried meat, grain or vegetables." A strict enforcement of the order would doubtless have dealt a fatal blow to the enterprise of the Canadian company by cutting off its supply of provisions; but the daring Northwesters resisted with such a show of violence that the Scotch farmers were frightened away and their homes were destroyed. During the following spring, when Selkirk again sent a colony of settlers to the Red River district, hostilities were resumed. Posts were seized and destroyed on both sides and on June 19, 1816, a pitched battle was fought in which the Highlanders were again routed and a score of their number, including Governor Semple, were slain.

Competition so ruinous to life and property could not fail to enlist the interest of Parliament, particularly when one of the rivals was a monopoly under royal charter. So severe had been the conflict that both companies were well-nigh impoverished, and the Hudson's Bay Company's dividends had dwindled from sixty or seventy

[1] Greenhow, *History of Oregon and California*, p. 324; Simpson, *Narrative of a Journey round the World*, p. 43.

per cent. to nothing. The affair was taken up by Parliament in June, 1819, and the conduct of the rival companies was minutely investigated. By an act of July 2, 1821, the preamble of which lamented the "evils which have arisen from competition," the two companies were united under the title of the Hudson's Bay Company. It appears that an agreement "for putting an end to competition" had been signed by the partners of the Northwest Company and the governor of the Hudson's Bay Company in the preceding March, and the King was petitioned for an exclusive grant of trade to the consolidated companies. The new charter was for a period of twenty-one years and covered all that region northward and westward of the territories of the United States not incorporated in any British province or belonging to the dominion of any other country.[1] This designation covered Oregon Territory, which was already occupied by the Northwest Company, the ownership of which remained in dispute between the two governments until 1846. It was stipulated in the grant, however, that in that portion of America lying west of the Rocky Mountains, which, according to the convention of 1818 with the United States, was to remain free and open to the subjects and citizens of both nations, privileges of trade were not to be claimed or exercised to the exclusion of American citizens.[2]

During the interval between 1813 and 1821 the Northwest Company had held peaceful possession of the territory surrendered by the American Fur Company, but had done little to develop the trade. At the consolidation of the rival companies in 1821, all the stations were

[1] See Greenhow, *History of Oregon and California*, p. 474.

[2] *Ibid.*, p. 475.

occupied by the Hudson's Bay Company. Astoria, or Fort George as it was now called, was abandoned and Fort Vancouver, on the north side of the Columbia river about 120 miles from its mouth, became the commercial depot and the emporium of the fur trade in the Pacific Northwest. The treaty for joint occupancy of Oregon Territory by Great Britain and the United States proved, in reality, to be a concession in favor of single occupancy by the former. The union of the rival fur companies under a royal charter was a combination of dauntless energy with an abundance of capital, and the exposures incident to the Parliamentary investigation had led to a refinement of methods, John McLoughlin, an employee of the Montreal company, now became "chief factor" at Vancouver and took up the task of developing the trade in Oregon Territory. The Hudson's Bay Company soon dotted all the wild interior with its posts, locating six permanent stations on the coast and sixteen east of the Cascade Mountains. The streams were freighted with cargoes of outgoing merchandise and supplies and with incoming peltries, and soon the returns from the Vancouver station exceeded those of any other "factory" in the Northwest. Soon, too, the giant monopoly exercised an undisputed commercial sway over what is now Oregon, Washington and Idaho. As early as 1830 it was said, "The will of the Hudson's Bay Company is the supreme law of the land. The natives are subservient to it and the American traders dare not resist it."[1]

There is nothing extraordinary about the supremacy of the Hudson's Bay Company within the territory designated by its charter, for British subjects were forbidden under heavy penalties to traffic within its borders; but

[1] Kelley, *Oregon Territory*, p. 76.

the Oregon country was theoretically open to the traders of both nations, and, within its boundaries, ascendency in the trade must be in the nature of an acquisition and the consequence of larger capital or superior skill in excluding or suppressing competition. The rise of the British supremacy in the fur trade of Oregon Territory furnishes an interesting study of competition and of monopolistic behavior under the most elementary conditions. Up to 1848, or the close of the early agricultural period, when more extensive dealings were established with the outside world and the current of trade was turned southward on account of the gold discoveries in California, the economic history of the Pacific Northwest was conditioned by the enterprise of the Hudson's Bay Company, and, until that time, the account of American settlement and progress centers about a few fitful, and, for the most part, futile attempts to dispute its monopolistic sway. Early agriculture, as we shall see, had an inseparable connection with the fur trade, the surplus products of the soil being used to swell the annual shipment of furs. Let us then see, as an introduction to subsequent periods, how the Hudson's Bay Company's power in Oregon was established and maintained. We shall examine, first, the nature of its dealings with the Indians; secondly, its treatment of American competitors; and, thirdly, its attitude toward early immigration.

While the company always employed bands of trappers and hunters, the larger share of its furs were obtained by trade with the Indians. Realizing the importance of this traffic, agents of the company were expected to cultivate the friendship of the natives and to inspire respect and confidence. No longer subject to the stress of deadly competition, methods of traffic were freed from the evils of pillage and extortion and took on the aspect

of fair trade for mutual advantage. Seldom or never were acts of depredation and violence committed with the knowledge or sanction of the chief authorities. Knowing, too, that restless tribal warfare was destructive of trade, the company's agents sought to encourage peaceful pursuits by withholding ammunition from tribes which had once used it to hunt a human prey. Ammunition for legitimate purposes, on the other hand, was supplied in abundance, even where the Indian had no present means of making payment.

Once established, the trade was easily maintained and extended. By adopting the arms, implements, and clothing of civilized peoples without cultivating the arts of production the Indian became dependent on the Hudson's Bay Company as a source of indispensable supplies. Subsistence without guns, ammunition, fish-hooks, and blankets was, for the native, difficult if not altogether impossible. Whatever innate senses the redmen may have possessed they certainly had no inherent notion of the law of supply and demand. Variations in prices, being unaccountable, would arouse suspicion and distrust. The British traders retained the confidence of the natives by observing their lack of economic insight and, although allowance was made for transportation and prices were higher at inland posts than on the seaboard, the tariff for any particular locality was never varied.[1]

In 1821 the directors of the consolidated companies are said to have set apart a portion of their annual profits "to be used for the express and avowed purpose of keeping Americans out of the trade, particularly those who wish to deal in furs."[2] The American

[1] Burnett, *Recollections of an Old Pioneer*, p. 146.

[2] Robertson, *Oregon Territory*. p. 48.

competitor usually made his appearance on the eastern border of the territory in the region next to the Rocky Mountains, where for a brief spell he plied a profitable trade. For the purpose of meeting competition in this neutral belt the British traders decided quite early to make special prices fully fifty per cent. below the American rate. Trappers and hunters employed by independent companies also received better offers for furs, obtained goods at lower prices, and were treated with such uniform justice and liberality that they were induced to desert their own countrymen for the better fortunes of British employment.[1] Prior to 1834 as many as eleven different fur companies had tried to gain a foothold in the territory, but all were forced by ruinous competition either to ply their trade in regions further south, to sell out to the Hudson's Bay Company and enter its service or to quit the fur trade altogether and seek a livelihood elsewhere.

A typical instance of unrelenting hostility on the part of the Hudson's Bay Company toward American enterprise is exhibited in the case of Captain Wyeth. In 1832 he entered the territory with a stock of merchandise to exchange for furs and salmon which he expected to sell in Chinese and American markets. An overland party established a trading post at Fort Hall on the Lewis River, one hundred miles north of Utah Lake. Another party, under the direction of Wyeth himself, sailed into the Columbia and located a fishing and trading post on Wappatoo Island at the mouth of the Willamette River. The last-named station was only a few miles from Fort Vancouver and the Hudson's Bay Company could not brook a rival so near. Compelled by competition to

[1] Farnham, *Travels*, p. 73.

abandon his Columbia River project, Wyeth now repaired to his remote fort on the headwaters of the Lewis River where he hoped to carry on the trade unmolested by the British company whose nearest post was then one hundred miles away. In 1835, however, the Hudson's Bay Company erected a temporary post on the Boise River, only twelve miles distant from Fort Hall, and put up the price of furs to a ruinous figure, at the same time paying for them in goods at fifty per cent. below the American rate. Though the agents of the British company treated Wyeth with outward courtesy, they made use of secret and underhand methods to destroy the profits of his trade.[1] In 1836 Captain Wyeth became convinced that competition with his generous yet aggressive and skilful antagonist was worse than futile and sold his post, together with his future prospects, to the Hudson's Bay Company, agreeing with the purchaser to quit the territory forever.

Long before 1840 the question of commercial supremacy in Oregon had been definitely settled. The Hudson's Bay Company controlled both the importation of supplies and the outgo of peltries for all that vast region drained by the Columbia and its tributaries. The reason assigned by Dunn for the total failure of American competition was a lack of organization, system and unity of purpose, He characterized American opposition as "a loose, dissipated, jealous thing, jealous, not only of British rivalry, but of American rivalry as well."[2] Still another powerful influence in favor of British dominance had been an intimate knowledge of the country

[1] *Twenty-fifth Congress, Third Session, House Report* 101, p. 20.

[2] Dunn, *Oregon Territory and the British North American Fur Trade*, p. 156.

and a certain amount of "hereditary prestige" with the natives. Moreover the bulk of the merchandise used by American traders had to be transported overland from points on the Mississippi or Missouri rivers while the Hudson's Bay Company enjoyed the advantage of water transportation for a distance of seven or eight hundred miles up the Columbia and its tributaries. But the most decisive advantage of all was that British traders could enter their goods at the mouth of the Columbia free of duty; while Americans paid from twenty-five to thirty, and in some cases sixty per cent., on articles best suited to the trade.[1]

Visitors and missionaries were always received at the Hudson's Bay Company's establishments and treated with uniform kindness and were further aided in the attainment of their object so long as it was not commercial. To be at peace with the British monopoly one must renounce all connections with the trade. "When a man is known to have traded a beaver skin from an Indian," said a visitor in 1838, "he is ejected from the community."[2] A missionary for a long time established on the Columbia willingly acknowledged numerous acts of kindness shown him by the officials at Vancouver, but asserted, nevertheless, that he would not venture to purchase a beaver skin to make him a cap without first obtaining their consent.[3] Such presumptuous encroachment on the domain of the trade was usually punished by denying the offender clothing and necessary supplies from the company's stores. This species of boycott generally

[1] *Twenty-fifth Congress, Second Session, Senate Report* 470, p. 10; *Twenty-first Congress, Second Session, Executive Document* 39, p. 17.

[2] Letter of J. K. Townsend in *Newark Advertiser*, reprinted in Oregon Historical Society's *Quarterly*, vol. iv., p. 200.

[3] Greenhow, *Oregon and California*, p. 396, note.

proved a very effective means of discipline, for the "independent" hunters and trappers were scarcely less dependent on the British traders than the natives themselves.

Having once gained the exclusive privilege of trade with the natives, the company now sought to perpetuate the returns from the district by keeping it a great game preserve. So far as it was possible to check the Indian's natural impulse to destroy life, no trapping or hunting of fur-bearing animals was permitted during the summer season when the animals were breeding; and the natives were induced, wherever possible, to spare the young.[1]

The officials of the company were naturally opposed to any colony, clearing or sign of cultivation as an encroachment on the domain of the fur trade. Civilization and agriculture are naturally irreconcilable with a traffic in furs; as settlers enter, fur-bearing animals must vanish. To keep that vast stretch of fertile country in a state of solitude was their chief concern, since only in solitude could fur-bearing animals thrive. The opposition of British traders to Wyeth and his associates had been prompted largely by their cherished schemes of colonization. As long as the country and the richness of its natural resources were known only to officials of the Hudson's Bay Company, they sought to discourage communication and diligently fostered the belief that Oregon Territory was a howling waste "in which the sole elements of life were the hunter and his prey." In the East and in the border states of the Mississippi Valley, whence the early emigrants set out for Oregon, reports had been circulated that the way across the plains and mountains was impassable or beset with lurking dangers and exceptional hardships. Agents of the Hudson's Bay Company

[1] Wilkes, George, *History of Oregon*, p. 30.

at Fort Hall, on the headwaters of the Lewis River, met the incoming immigrants and, by representing the road to the lower Columbia as impassable for vehicles of any description, induced them to abandon their wagons and implements of tillage. In some instances, too, immigrants were turned aside to California by misrepresenting or exaggerating the perils of a trip to Oregon.

But the far-sighted McLoughlin saw, when the company's directors did not, that the country possessed exceptional advantages for agriculture and grazing which could not long be concealed; and he foresaw as clearly the decline and ultimate extinction of the fur trade. The company had considerable sums invested in trading posts and equipment which could not be withdrawn without economic loss. As the harvest of furs failed the officials altered the character of their posts and prepared to exploit new sources of wealth by driving a trade of a different kind. Thus the later policy of the company became favorable to settlement, but only by those who would be subservient to its will and purpose. The aim was now to use the rich valleys of Oregon as asylums for retiring servants and employees, who had ceased to be of advantage to the company on account of advanced age unfitting them for the hardships of the chase, or those who had become superfluous through the decline of the fur trade in any particular locality. Planted on the fertile soil of the Willamette or Cowlitz valleys and bound almost as vassals to the commercial monopoly, whose paternal oversight they had come to regard as indispensable, these broken trappers and voyageurs might earn a livelihood and become a source of profit to their master by tilling the soil and raising the herds.

Having indicated in a general way the policies by which monopoly in the fur trade was established and

maintained, it remains to note briefly the character of the trade and the early fruits of monopolistic privilege.

From 1824 on Fort Vancouver became the commercial depot and rendezvous of the fur trade in the Pacific Northwest. All merchandise was landed here and distributed among the trading posts by means of numerous small boats, canoes, barges and sailing vessels plying up and down the streams and into bays and inlets along the coast. The season's harvest of furs was gathered here for storage and final shipment to England, and hither all accounts and reports were transmitted to be audited or settled. The yearly supply ship from London arrived early in the spring laden with a variety of wares, and, after discharging its cargo, usually made a side trip to the Russian posts of Alaska or to the Sandwich Islands, returning in August to take on the cargo of furs for England. Trappers and hunters as a rule returned from their annual trips late in the autumn and sojourned at Vancouver during the winter, where they were engaged in sorting, dusting and packing the furs for shipment.

The profits of the trade for the first decade or so after the establishment at Fort Vancouver were phenomenal. This station is said to have yielded far larger returns than any other "factory" in the Northwest, and the general prosperity of the company is attested by the fact that the capital was increased in 1824 to £400,000, though less than £30,000 had actually been paid in,[1] and, for the next ten years, the annual dividends averaged ten per cent., while the company was repeatedly adding to the fund for suppressing competition.[2] During the same period shares of stock commanded a premium of one hundred per cent.

[1] Gray, *History of Oregon*, p. 83.

[2] Wilkes, George, *History of Oregon*, p. 30.

The accounts and records of the Hudson's Bay Company's operations in Oregon have never been made public, and it is therefore impossible to give anything like a certain estimate of the profits accruing from the trade. All must be in the nature of collateral evidence. In 1828, Mr. Smith, of the firm of Smith, Jackson and Sublette, heard from the officials at Vancouver that the annual output of peltries included 30,000 beaver skins, besides otter skins and a quantity of small furs. The beaver skins alone, at New York prices, were valued at $250,000.[1]

According to estimates furnished by Brown's Political History (p. 47) the number of beaver skins collected by the Hudson's Bay Company from 1834 to 1837 averaged 76,796 annually, together with nearly the same number of marten and otter skins combined. The yearly shipments of furs from Vancouver during this period were probably valued at from $300,000 to $400,000, for which goods costing $40,000 to $50,000 had been exchanged. Toward the close of the decade 1830–1840, the returns from the company's posts in Oregon fell off very rapidly, and in some localities failed altogether. The decline was due, not to a failure on the part of British traders to engross the whole trade, but to an actual shrinkage in its volume. Fur-bearing animals became scarce, even extinct, in many localities, only a few being left in inaccessible places, where their capture was attended with increasing difficulty and expense. By 1840 the proceeds of the sales, even the quantity of furs obtained, had dwindled to barely half what they were in 1830.[2] The annual output of furs from this district was then estimated at $138,000, for

[1] *Twenty-first Congress, Second Session, Executive Document* 39, pp. 22–23.

[2] Robertson, *Oregon Territory*, p. 22.

which goods to the prime cost of $20,000 had been exchanged, which still left a margin of considerable profit. But the cost of transportation and distribution of goods, together with the expense of maintaining a body of factors, traders, clerks and servants, reduced the net profit to an insignificant sum. The cost of maintaining employees was, of course, a much larger item than wages, for ordinary servants of the company were engaged for a period of five years at an annual salary of from fifteen to seventeen pounds; and sailors on the coast vessels were paid at the rate of two pounds a month, the currency being reckoned at $4 per pound.[1] Although the company monopolized the trade, and fixed the standard of value and prices, and, although in individual transactions, goods were seemingly bartered on favorable terms,[2] still large aggregate gains were seldom realized. Trappers and hunters were furnished with supplies in advance, and the season's catch was always uncertain, even if employees were honest enough to make full returns. John McLoughlin, "chief factor" at Vancouver, maintained that the profits of the fur trade in 1840 did not exceed $10,000, and this estimate was perhaps not far from the truth.[3]

Among the more settled tribes of Oregon Territory, exchange by barter had prevailed from the earliest knowledge of the country, and crude forms of currency were employed by some. Thus Nicolay tells us that the Cayuse, Nez Perce and Walla Walla Indians were accustomed to meet the Shoshones or Snake tribes every year

[1] *Twenty-fifth Congress, Second Session, Senate Report* 470, pp. 8–9.

[2] The Hudson's Bay Company seldom allowed more than $2.25 for a beaver skin worth $7.50 in the New York market.

[3] Hines, *History of Oregon*, p. 384; Robertson, *Oregon Territory*, p. 22.

at the junction of the Grande Ronde and Saptin rivers to barter salmon and horses for roots, skin lodges and elk and buffalo meat.[1] The natives of the lower Columbia region depended for a livelihood almost wholly on the annual run of salmon; while the tribes further inland made yearly excursions to the plains east of the Rockies in order to hunt the elk, the buffalo and other large game, and returned from the chase laden with dried meat and skins. Exchanges such as we have noticed were only the natural consequence of a difference in environment and occupation.

Among the coast tribes of what is now western Washington, lumps of copper were held in high esteem and the precious metal was received in exchange for fish and dried meat from the tribes further north. These chunks of copper were sometimes wrought into shields two and a half feet long and a foot wide, which were laboriously ornamented with crude figures of men and animals. Such implements of war were articles of great commercial value and were known to exchange for nine slaves.[2] The natives at the mouth of the Columbia regulated the price of articles by *haiqua* or *higua*, a milk-white shell of extreme hardness found in the neighborhood of Nootka Sound. The shells were of varying sizes and were graded and ranged on a string some six feet in length. Forty of a normal size made a fathom and were twice as valuable as the "fifty-to-a-fathom" variety.[3]

The Indian, already familiar with the idea of exchange

[1] Nicolay, *Oregon Territory*, p. 134.

[2] Dunn, *Oregon Territory and the British North American Fur Trade*, p. 193.

[3] Dunn, *Oregon Territory and the British North American Fur Trade*, p. 193; also Simpson, *Narrative of a Journey round the World*, part i, pp. 117–118.

by barter and having a crude notion of currency, was easily schooled in the methods of trade introduced by the "King George Men" of the Hudson's Bay Company. Skins and furs, which formerly served the uses of everyday apparel, might be made to furnish a less cumbersome and more showy garb of English manufacture with beads, ribbons, paint and other articles of adornment besides an abundance of guns, ammunition and tobacco. During the whole course of dealings with the natives their wants were subject to little change or diversification and, had it not been for the necessity of supplying clerks and half-breed servants who had developed hybrid tastes, the articles demanded in trade would have been few in number and uniform in quality. Early missionaries strove to teach their converts the rudiments of agriculture, but there was little or no demand for even the crudest implements of tillage until the employees of the fur company forsook the chase for the more settled pursuit of agriculture.

The Indian soon learned that the beaver skin would exchange for any of the articles supplying the limited category of his wants and habitually classed it as a thing of certain value along with the lumps of copper, the ornamental shield, or the shining *haiqua*. Thus the beaver skin became a natural currency and passed everywhere as a medium of exchange even between the natives themselves.[1] The value of this commodity currency was fixed arbitrarily by the great commercial monopoly and its equivalent in goods set down in a tariff, or schedule, which might vary for different posts, but was rigidly adhered to in any single locality. In the lower Columbia district the customary price for a beaver

[1] *Twenty-fifth Congress, Third Session, House Report* 101, p. 36.

skin was ten shillings, or two dollars, and goods were reckoned at fifty per cent. advance on London invoice.[1] When furs were brought to Vancouver, 11*s* 6*d* might be allowed for a beaver skin, and the first American merchants received them at $2.20.[2]

Though the beaver skin became the customary medium of exchange throughout the territory, it never performed the function of a common denominator or standard of value. White traders, already accustomed to the use of money, clung to the habit of expressing the value of goods in units of their monetary systems and of quoting prices of furs in the same medium. The concept of money as a measure of value was present, though the substance was lacking; and the process of barter was consummated by compounding two ratios which were expressions of the monetary value of goods exchanged. Until the Hudson's Bay Company's tariff was established, and in isolated regions where the schedule did not obtain, the ratio of exchange between goods and furs was determined by what Simpson calls "two or three hours of tumultuous higgling of the market."[3] Knowing in advance that Indians were liable to put "trading prices" on their furs, British merchants sought to save their profits by asking equally high prices for their wares. This fact accounts for the abnormally high rate at which goods were sometimes exchanged, figures which cannot be accounted for after allowing for transportation and the customary profits of trade.

[1] *Twenty-fifth Congress, Second Session, Senate Report* 470, p. 10.

[2] S. A. Clark, *Stories of Early Oregon*, p. 244; Account Book of E. White, Oregon Historical Society's Collection.

[3] Simpson, *Narrative of a Journey round the World*, pt. ii, p. 113.

CHAPTER II

Early Agriculture, Alaskan Market and Wheat Currency

While dealing with the attitude of the Hudson's Bay Company toward immigration, we took occasion to notice how, as the fur trade began to decline, the officials had favored the settlement of their own servants who could no longer find employment as hunters, trappers and voyageurs. It was natural that the Willamette Valley should become the seat of the first agricultural settlement, for, besides being near to the company's main depot at Fort Vancouver and having the advantage of easy water communication, it was by far the most fertile and genial region in the territory and presented the fewest obstacles to cultivation. It was described by early travelers as a large, rich plain, imbedded within a circle of mountains, with an abundant rainfall and possessing "every facility for pasturage and every capacity for cultivation."

About 1829 a few Canadian servants of the fur company settled in the neighborhood of Willamette falls; but about 1837 they removed to a point fifteen miles further up where they located on the fertile French Prairie. These early settlers were mainly engaged in herding stock, for a few cattle had been brought from the Spanish settlements in California and supplied to them by the Hudson's Bay Company. Presently others, still connected in an official way with the fur trade, opened farms in the

neighborhood and began to till the soil. The first American settlements were founded by missionaries who arrived between 1834 and 1837, bringing with them a few cattle and small quantities of seed wheat. They located in the same open prairie that had attracted the attention of the French Canadians. The early missionaries turned out to be of the thrifty sort, and, under the guise of teaching the Indians agriculture, opened farms which were cultivated by native converts and pupils of the mission school. Their possessions soon included large tracts of cultivated land and herds of cattle, horses and swine; their granaries were well filled with wheat, oats, barley and peas. Gradually the free American trapper, tired of the solitude, squatted here and contented himself with the tamer but less precarious life of the farmer. With the help of retired trappers and missionaries the transition from the fur trade to the agricultural régime had now fairly begun. Toward the southern end of the settlement the houses were grouped into the village of Champoeg with schools, chapel, meeting-house and granaries. The population was extremely composite, consisting of missionaries and their converts, Canadian and American trappers, and half-breeds. This bare nucleus of an agricultural settlement contained in the fall of 1840, just before the tide of immigration really set in, some one hundred and thirty-seven Americans and sixty-three Canadians, who, if we except the active employees of the Hudson's Bay Company, constituted the entire white population of Oregon Territory.[1] By gradual accessions the number increased to 500 in 1841 of which fully one-half were American settlers.[2] The

[1] Gray, *History of Oregon*, pp. 192–193.

[2] Simpson, *Narrative*, p. 144.

first considerable immigration was that of 1843, which consisted of some 800 people under the leadership of Marcus Whitman. From now on the influx of immigrants made yearly additions to the population until it reached 13,000 in 1848. The majority of the settlers were engaged in agriculture, and dwelt in the Willamette and Cowlitz valleys and on the Clatsop Plain.

From the standpoint of commercial and monetary history the important fact connected with this period of transition is that the circumstances of settlement put these early colonists in a position of utter dependence on the Hudson's Bay Company and linked the fortunes of early agriculture with the enterprise of a giant fur company, which, in this particular locality, was itself undergoing a change and bending its energies to a new use of the country's resources. When the broken or superannuated trapper became a squatter, it was under the auspices of the concern which gave him leave. McLoughlin had furnished seed for the sowing and breadstuffs for use until the first crop could be harvested; the cattle they tended were not their own, but were returned after a time together with a stipulated share of the increase. American settlers, too, often reached Oregon in a penniless, even destitute, condition and the "chief factor" generously relieved their distress by supplying food, clothing and seed wheat until the crop of the ensuing year was ready for market. Disregarding for a moment the ministrations of the kindhearted McLoughlin, it would still be unsafe to assume that the economic development of the Pacific Northwest would have been more rapid and certain without the presence of the Hudson's Bay Company. The early settlers who came thither found themselves separated from the markets of the world, on one side, by high mountains and desert wastes,

and, on the other, by trackless sea. A certain amount of trade capital and transportation facilities—in a word, an established commercial relation with the outside world—was necessary at the very outset, and this was the contribution of the fur trade to the beginnings of agriculture. Without this requisite early settlers would have found themselves wanting not only the necessary articles of comfort but the ordinary implements of tillage with which to begin the cultivation of the soil. Early settlers were indebted to the Hudson's Bay Company for marketing the crop most readily produced and for supplying needed articles of consumption which the colony in its infancy was poorly equipped to produce. Recognizing their obligation to their commercial overlord, they found fault not with the nature of the service but with the size of the conpensation, and complained that the British merchants added extortion to the ordinary business of trade. Sooner or later they began to lament the fact that conditions of life in Oregon, where they had hoped to lead an independent existence, had made them scarcely less dependent on the Hudson's Bay Company than its own apprenticed servants. The position of the new colony was not unlike that of a medieval vassal, who, while owing his very existence to an overlord, nevertheless complained of his exactions.

The new economy was, for a time at least, to have an inseparable connection with the fur trade; and the commerce growing out of it was to assume such shape that the Hudson's Bay Company could not be divested of its monopolistic control. Even before the advent of American settlers a trade circuit had been established between Oregon and the Russian posts of Alaska, where the products of the soil could find a market among traders who had hitherto brought their breadstuffs and provisions

from the other side of the Pacific. Here in the northland the fur-bearing animal claimed the solitude, and the much-prized peltries could still be obtained by the traders of Oregon, if only they could employ the indirect method.

While the fur trade prospered and yielded its million dollars' worth of peltries every two or three years, no one thought of engaging in agriculture even to the limited extent of supplying provisions for the posts; but large importations were made from the Spanish settlements in California. Gradually officials began to see that the fur trade was doomed to extinction and that the enterprise of the company must be directed toward ends more consistent with the changed conditions of the country. If trading vessels were left to rely on furs for cargoes they must soon be compelled to return with empty holds; hired servants must become redundant fixtures and their services as hunters and trappers unprofitable. Between 1830 and 1840 the company and its officials began opening up farms of considerable extent, generally in the vicinity of trading posts. Early in the decade the farm at Fort Vancouver contained 1500 acres in a high state of cultivation. Other farms were located in the Cowlitz valley and on the Umpqua River.[1] Wheat was the principal product but fruit and vegetables were raised to some extent and dairy cows were kept on the farm at Nisqually and on Wappattoo Island. A threshing machine and a grist mill had been erected at Vancouver where the surplus grain was turned into flour for export. In 1835 the company built a saw mill at Vancouver and occasionally a cargo of lumber was sent

[1] Dunn, *Oregon Territory and the British North American Fur Trade*, p. 107.

to the Sandwich Islands where it sold for $50 a thousand.[1] Thus from a traffic in furs the Hudson's Bay Company was turning its attention to farming, milling and exporting.

Seeing that Oregon was capable of producing flour, provisions and lumber in large quantities, the company realized the importance of controlling the market. It began by securing purchasers for the modest output of its own farms and then gradually extended the market to absorb the surplus of the whole territory. In 1839 the Hudson's Bay Company executed an agreement with the Russian traders of Kamtschatka to supply the posts in that region with provisions at fixed prices. Thither they sent flour, chiefly, but small quantities of beef and butter as well. The original stipulation called for the delivery of 8000 bushels of wheat annually, but later the quantity was greatly increased. Gradually the arrangement was expanded to include, not only provisions, but supplies of every description, to be delivered at Sitka and all northern posts. The contract price for British merchandise was said to be twenty-five per cent. advance on invoice cost in London. Payments for provisions and supplies were made in furs at stipulated prices, and the privilege virtually gave the Hudson's Bay Company a monopoly of the Alaskan trade.[2] Having engrossed the whole trade of Oregon, they were now reaching out for that of the Pacific.

But before the British traders could engage extensively in agriculture and coastwise trade a new company had to be formed, for it was doubtful whether the charter

[1] *Twenty-fifth Congress, Third Session, House Report* 101, p. 12.

[2] Dunn, *Oregon Territory and the British North American Fur Trade*, pp. 107–8; *Twenty-seventh Congress, Third Session, House Report*, 31, p. 76.

of the Hudson's Bay Company bestowed such privileges. Accordingly officials, agents and employees of the company organized a new association, under the name of the Puget Sound Agricultural Company, with a nominal capital of £200,000, the shares of which were held exclusively by themselves, Doctor McLoughlin being president and manager.[1] About ten per cent. of the capital was paid in and it is claimed that this amount was merely transferred from the fund set apart for suppressing competition in the fur trade, and that the object of this subsidiary corporation was to control the agricultural and stock business of the territory as the parent concern had controlled the traffic in furs.[2] Cattle were imported from California and England, farms were opened, and servants of the fur company, bound by contract to perform any service required, were put to work as agricultural laborers. Trading posts in many localities were transformed into thriving settlements; and the directors of the new company hoped soon to load the returning ships with hides, horn, tallow and wool in place of the customary cargoes of peltries. Under good management, the Puget Sound Agricultural Company began to prosper and established selling and purchasing agencies in San Francisco and the Sandwich Islands.[3]

From the outset wheat became the staple product of the American farmers, but the market outside the territory itself was completely under the control of the allied companies. As early as 1843 American merchants entered business at Oregon City and purchased small quantities of wheat in exchange for merchandise; but

[1] Farnham, *Travels*, pp. 440–441.

[2] Gray, *History of Oregon*, p. 67.

[3] *Twenty-seventh Congress, Third Session, House Report* 31, p. 62.

this was only a secondary demand and rested primarily on the export to Russian posts which was secured by contract to the Hudson's Bay Company. The need of an independent market was severely felt, and settlers made repeated attempts to secure some arrangement with the federal government for supplying breadstuffs to the naval squadron in the Pacific. Such efforts proved of no avail, however, and the export and import trade of the colony remained under control of the British traders until 1848 or thereabouts.[1] Mills and warehouses were established at Oregon City, which became the natural market of the Willamette settlement, and at other convenient stations throughout the territory. At a price fixed by the British traders wheat was freely received, and, in exchange, a variety of goods might be had from the company's stores at fifty per cent. advance on London cost. Wheat, being the article most in demand and having the highest degree of exchangeability, was destined to supplant the beaver skin as territorial currency.

Various circumstances had combined to leave the settlement destitute of any other medium of exchange than that supplied by some standard commodity by creating a scarcity, almost an utter lack, of specie. The fur trade could well be carried on without the intervention of money. The Indians had nothing to sell but furs, and wanted nothing in exchange but arms, ammunition, blankets, beads and tobacco. The market for the former and the sole source of supply for the latter were alike the stores of the Hudson's Bay Company. When employees were discharged or quit the service of the company to become squatters in Oregon, any balance due them was

[1] Hastings, *Emigrants' Guide to Oregon and California*, p. 63; Robertson, *Oregon Territory*, p. 89.

not paid in cash, but book-credit was given for the requisite amount, payable in goods on demand. Those returning to Canada or Great Britain were furnished with drafts on Montreal or London. Early missionaries had drawn supplies from the British traders and tendered payment in drafts on their respective boards in Boston or New York, which instruments were collected through the Montreal or London offices of the company. Similarly federal officials, who at intervals visited the territory, had defrayed current expenses by means of drafts on departmental bureaus at Washington. The Alaskan trade of the Hudson's Bay Company consisted merely in bartering provisions and supplies for peltries; and, although the annual shipments of furs to England exceeded in value the importation of merchandise, the balance was retained at the London office. Any specie received at Vancouver was hoarded and forwarded to the home office, for the fur trader was interested in keeping coin out of circulation and thereby restricting the freedom of both buyers and sellers. Between natives and half-breeds the beaver skin was the customary medium, while more official transactions were settled by credit instruments.

Incoming immigrants had, moreover, brought with them little or no money. The slow, wearisome journey of two thousand miles had exhausted their strength and their purses as well. When they reached Fort Hall, a remote post on the headwaters of the Lewis River, and sought to replenish their stock of provisions, they found that flour was selling at $1 a pint or $40 per barrel. They arrived on the lower Columbia in destitute condition and were dependent on the "chief factor" for food and clothing and the first season's supplies. Says an old pioneer of 1844: "We brought no money from the States

and had none until the gold discovery in 1848. I remember taking in but twenty-five cents from any source from 1844 to 1848."[1] So frequent were the calls for assistance that in 1844 the Hudson's Bay Company established a branch store at Oregon City for the purpose of making advances to the needy. Orders in favor of settlers were issued from Fort Vancouver and goods were delivered in Oregon City. Payments were made in wheat when the crop of the following year was harvested. In 1846 it was estimated that fully four thousand of the settlers were indebted to John McLoughlin and the Hudson's Bay Company, and the total amount of advances had reached $100,000. Relying on the Alaskan market, the Hudson's Bay Company had invariably received wheat in settlement of all debts, and custom had given it a debt-paying quality before there was any authoritative legislation on the point.

With the establishment of the provisional government in July, 1843, the American settlers asserted their rights to a measure of political freedom and challenged the Hudson's Bay Company's claims of arbitrary jurisdiction over them, but they were still bound to acknowledge their economic dependence. As agencies for supplying the necessary articles, American merchants proved but a "slender reliance," even though the settlers felt constrained to deal with them out of patriotic motives. Their stock of goods was inadequate, and, since trading vessels save those of the Hudson's Bay Company seldom entered the Columbia, the only chance of restocking was from the surplus stores of their British rivals. If any coin crept into the community it was not received at

[1] T. M. Ramsdall in *Oregon Pioneer Association Proceeding*, 1896, p. 109; see also F. X. Matthieu, *Oregon Historical Society's Quarterly*, vol. i., p. 102.

Fort Vancouver. It was even claimed by early settlers that merchants would sell more cheaply for produce than for cash, because they expected to make a profit on the commodity purchased. This means that traders were able to depress the price of staple products below their normal cash value. It was asserted further that goods could be had from the Hudson's Bay Company on more favorable terms by promising wheat at the ensuing harvest than by tendering coin.[1]

Wheat thus became the regular medium of exchange, but not a circulating one, for the transaction usually took the form of transferring goods in return for an order on a merchant. The practice was to deposit a quantity of wheat at a store, warehouse or milling station, which, reckoned at the market price, gave rise to a credit and entitled the depositor to draw on a trading company for an amount not exceeding that sum. In case wheat was received at a granary, or depot, the warehouseman in charge issued a receipt stipulating the quantity and the price at which it was received; and this certificate passed current as money or might be deposited with the merchant owner of such warehouse and become subject to order. Thus a receipt issued by the Hudson's Bay Company's clerk at Champoeg warehouse was worth its face in goods at Vancouver.[2] Merchants' orders based on a certain amount of "wheat-credit" became the current medium of payment for goods and services. The workman's wage, as well as the lawyer's fee, was settled by an order on the village storekeeper. Even the official who performed the mar-

[1] Letter of S. M. Gilmore, dated November 11, 1843, and published in *Western Journal*, March 15, 1845.

[2] F. X. Matthieu, *Oregon Historical Society's Quarterly*, vol. i., p. 102.

riage ceremony must accept the same currency for his fee or else tender his services gratuitously.[1] Promissory notes were often made payable in wheat to be delivered at some customary depot. Sometimes a given number of bushels was specified; again, a stated sum of money in wheat at the market price.[2] The first dues of the "wolf-organization," which later evolved into the provisional government, were payable in orders on Fort Vancouver, the mission or the milling station.[3]

The absence of specie, the general demand for wheat, and its customary acceptance as a medium of exchange justified the enactment of the Gray currency law by the provisional assembly in December, 1845, but the immediate occasion of the act was the fear of the Hudson's Bay Company's arbitrary power over its debtors. Settlers were owing large sums to the British company and their contracts called for the payment, not of a definite quantity of wheat, but of a particular sum of money. There was some uneasiness lest the Hudson's Bay Company should assert its legal right to compel payment in a medium which "did not then exist in sufficient quantity to meet the wants of the settlement."[4] The provisional legislature in "An Act Relative to the Currency and Subjecting Property to Execution," declared that:

> in addition to gold and silver, treasury drafts, approved orders on solvent merchants, and good merchantable wheat, at the market price, delivered at such place as it is customary for merchants to receive wheat at, shall be lawful tender for the payment of taxes and judgments rendered in the courts of

[1] Burnett, *Recollections of an Old Pioneer*, p. 184.

[2] See advertisement of lost notes by T. J. Hubbard in *Spectator*, January 6, 1848; also advertisement of George Davis, *Spectator*, May 27, 1847.

[3] Gray, *History of Oregon*, p. 266. [4] *Ibid.*, p. 437.

Oregon Territory and for the payment of all debts contracted in Oregon Territory where no special contract has been made to the contrary.[1]

An act supplementary to the main law provided that those who paid taxes in wheat should be required to deliver it at some stated depot or warehouse in the county or district where the taxpayer resided: at the Hudson's Bay Company's warehouse at Fort George, in Clatsop county; at Cowlitz Farm or Fort Vancouver warehouses, in Vancouver county; at the company's warehouse at Linnton or the store of F. W. Pettygrove, in Portland, Tualatin county; at the mills of John McLoughlin or the milling company, at Oregon City, in Clackamas county; at the milling company's warehouse at the Bute or at the Hudson's Bay Company's warehouse, at Champoeg, in Champoeg county; and at a point to be determined by the collector in Yamhill county.[2] These stations were "designated depositories" for territorial revenue, and the agent in charge issued a receipt, which, as evidence of a deposit in wheat, passed into the hands of the county or territorial treasurer, was credited to the taxpayer and then used by officials for the payment of claims against the government. These certificates were exchangeable for merchandise at some store connected with the depository mentioned.[3] It is a significant fact that in every county but one a mill, store or warehouse of the Hudson's Bay Company was designated. Farmers quite gener-

[1] *Oregon Laws 1843–1849* (A. Bush, Salem, 1853), p. 33. [2] *Ibid.*, p. 27.

[3] The form of the receipt was as follows:

Received of ————, this —— day of ———, 184–, the sum of ——— dollars and ——— cents, being the amount of his [territorial or district, as the case may be] tax, for the year of 184—, which amount is placed to the credit of [Oregon Territory or the District of ———, as the case may be] by me. A. B. C., Receiver of Revenue.

Dated at ———, this —— day of ———, 184—.

ally took advantage of this convenient method of settling the yearly tax bill and a large share of the territorial expenses was discharged through the use of wheat receipts.

The currency bill was passed at the instance of Governor Abernethy, who, in his message of 1845, had recommended that, in addition to gold and silver, wheat should be made legal tender. The legislature went further and added orders on solvent merchants and treasury drafts. Merchants' orders, as we have seen, were drawn against a credit which owed its origin to a deposit of wheat. Treasury drafts were in the nature of treasury notes. During the first year of its existence the receipts of the provisional government had depended solely on voluntary contributions; and, owing to a reluctance on the part of settlers to submit to taxation, particularly on land, it was impossible to devise an adequate system of revenue. A deficit had arisen at the very outset, and treasury drafts on presentation became deferred claims against the government. The indebtedness of the territory just before the legislative session of December, 1846, was $5,000, and the annual appropriations raised the amount to $10,000.[1] Obligations of the government were usually met by issuing notes payable to order, signed by the treasurer, and bearing interest at six per cent. per annum. This territorial scrip was legal tender for all debts and public dues.[2] The report of the treas-

[1] *Spectator*, December 10, 1846 and December 24, 1846.

[2] The following is a sample of a treasury note:

$5.00. *Oregon Territory*

Promises to pay to the order of J. W. Nesmith, five dollars, with interest at the rate of six per cent. per annum from date.

Wm. K. Kilbourn, Treas.

No. 508. By N. Smith, Deputy.

See, *Oregon Pioneer Association Transactions*, 1880, p. 16: also letter of A. L. Lovejoy to J. W. Nesmith, dated December 21, 1846, in Oregon Historical Society's Collection.

urer of the Oregon Printing Association shows a receipt, on November 28, 1846, of $300 in territorial scrip for printing laws, while numerous entries indicate that scrip was regularly received from individuals in payment of subscriptions. Subsequent to the currency law of 1845 taxes were payable in wheat, and indentured claims against the Territory were, like other forms of the heterogeneous currency, really on a wheat basis.

Treasury drafts and notes as well as orders on solvent merchants were negotiable and might by successive endorsements be used to settle a limited number of transactions. Indeed later forms of territorial scrip, particularly those issued after the refunding of the Cayuse war debt, were made payable to bearer and intended to circulate without the formality of endorsement. That earlier forms of scrip were frequently transferred is shown by notices, like that of George Davis in the *Spectator* of May 27, 1847, in which he advertises the loss of two treasury drafts of December 1, 1846, for $50, originally in favor of Peter H. Burnett and Andrew Hembree. A similar insertion on April 30, 1846, shows that A. Beers had in his possession orders on George Abernethy and A. McKinlay drawn in favor of Hord, Baker, Bailey, Gay, Cantell, Weston and bearer. The holder or payee of an order might deposit it with the merchant and receive credit against which future purchases were charged. There is, indeed, abundant evidence that book accounts and the principle of offset played no little part in the settlement of commercial transactions.[1]

The currency legislation of 1845, though aimed directly at the arbitrary power of the Hudson's Bay Company

[1] See account book of E. White, mission agent, A. McKinlay and others in Oregon Historical Society's Collection.

and meant to shield the debtor, proved in reality a rather weak expedient. The provisional legislature might determine what should be lawful money, but the British monopoly reserved the right to "regulate the value thereof" by fixing the price of "merchantable wheat." The unchecked authority of the Hudson's Bay Company to set a price on the one staple article of export was a source of no little annoyance. As early as 1838, W. A. Slacum, of the United States navy, had sought to arouse the patriotism and banish the fears of the American settlers by assuring them that, when Oregon became a part of the national domain, farmers would realize $1.50 a bushel for their wheat instead of fifty cents which was offered them at Fort Vancouver. Doubtless the Hudson's Bay Company prudently set a price low enough to allow a liberal margin of profit between the cost and the contract price with Russian traders, but self-interest operated to check extortion. Moreover, without the Alaskan market prepared by British traders as an outlet for the annual surplus, a glut in the domestic market might have rendered wheat well-nigh unsalable. Up to 1848 the demand from the north probably exceeded the over-supply in the local market, and the quantity received for export necessarily depended on the price offered. As long as the Hudson's Bay Company's mills and coasting vessels were not taxed to their full capacity in grinding and marketing the cereal, larger aggregate returns could be realized by making a moderate profit on many bushels than by exacting the largest unit gains on smaller quantities. Unusual accessions to the population, like that of 1845, strengthened the local demand for wheat and caused the trading company to advance its price, evidently with a view to securing the necessary supply. The customary price for wheat was 62½ cents per

bushel, but in 1841 and 1845 the market price rose to a dollar.

The Hudson's Bay Company not only fixed the price of the commodity currency but regulated the measure as well. In 1843 the settlers complained in a memorial to Congress that "they measured the wheat in a half bushel, called by them the 'imperial measure,' which is much larger than the standard measure of the United States."[1] The complaint goes on to say that agents of the company, not content with this advantage, resorted to the device of kicking the half-bushel to settle the contents, then filling it up and calling it fair measure. Later they introduced a standard larger than the first, and, instead of trusting to the foot to settle the grain, administered three vigorous blows with a stout club. Too much weight should not be attached to this overdrawn expression of prevalent discontent among the "anti-monopolistic" party; but we learn from collateral evidence that the evils complained of were not purely imaginary. Reverend Mr. Giffin testified that his wheat, when measured according to the standard bushel of the United States, held out at the rate of ten bushels for nine of the "imperial measure," and ventured the opinion that the "royal bushel" weighed at least seventy pounds.[2] We learn, too, from another source that the independent milling company at Willamette Falls was accustomed to exchange thirty-six pounds of flour for an American bushel and forty pounds for a "royal bushel."[3] At any

[1] *Twenty-eighth Congress, First Session, Senate Document*, 105, pp. 2–3.

[2] *Spectator*, April 15, 1847. As a matter of fact the volume of the imperial bushel should have been 2,218.192 cubic inches as against 2,150.42 cubic inches for the standard bushel of the United States.

[3] *Palmer's Journal*, p. 101; *Spectator*, December 24, 1846.

rate the evil complained of was notorious enough to call for remedial legislation, and, at the session of 1846, the "imperial bushel" was abolished by an act regulating weights and measures which ordained that a bushel of wheat should consist of sixty pounds neither more nor less.[1]

Since early immigrants brought little or no money with them and the fur trade had been conducted without the use of coin, the transition to the agricultural stage compelled a resort to a commodity currency. As in the case of the tobacco currency of Virginia, wheat was chosen because it was the only product commanding any considerable market outside the territory itself. Immigrants, coming as they did from the border states along the Mississippi, and not from the industrial districts of the north, possessed little technical skill and the chief, almost the sole, occupation for a time was agriculture. The divers wants of the new colony could be supplied only through the channels of trade, and the furs, for which wheat could be exchanged in the north, sold readily in the markets of the world and commanded a supply of miscellaneous consumption goods. Both British and American merchants were as a rule "too liberal with their favors of credit" and allowed, even encouraged, early settlers to go heavily in debt. Recognizing the prevalence of debt and the insufficiency of specie, the legislature thought to save the debtor from possible ruin by adding wheat, orders on solvent merchants, and scrip to the list of legal tenders. The immediate effects of the currency law were salutary, since it served as a wholesome check on the extension of credit; and at first it was assailed only by the would-be debtor class.[2]

[1] *Spectator*, December 24, 1846. [2] *Spectator*, May 14, 1846.

But this cumbersome and irregular medium of exchange had some striking defects, and its use contributed largely to the poverty and isolation of the settlement prior to the gold discoveries of 1848. In the first place the currency was lacking in uniformity. With regard to wheat the law sought to protect the creditor by prescribing a certain qualitative standard denoted by the word *merchantable*. In actual practice, however, debts were usually settled by means of a wheat receipt, or by an order drawn against a credit originating in a deposit of wheat, and the receiving merchant, as arbiter between debtor and creditor, passed on the quality of the tender. Precisely here the difficulty arose, however, for although the market price of wheat was resonably uniform throughout the territory, its exchange value, or purchasing power, which was transferred by a receipt or order, depended largely on the place of deposit. The law was attacked on the ground that it virtually constituted the merchant a banker without insuring his solvency, leaving that to the judgment of the creditor.[1] Default on the part of the merchant was not the chief source of danger, however, for, as a matter of fact, payment was usually made although not in the articles desired. None but the Hudson's Bay Company's stores kept anything approaching a complete line of goods. American merchants lacked capital and trading vessels necessary for an export and import trade, and their stocks soon dwindled to a mere remnant. An order was exchangeable only for what they had and this was often what the customer least wanted.[2] An order on the Hudson's Bay Company, on the other hand, would command an assortment of wares and came to have a cash value, or, as the settlers used to

[1] *Spectator*, November 25, 1847. [2] *Palmer's Journal*, p. 117.

say, "It's as good as a beaver skin." Even the standard order of the fur company might be subject to temporary depreciation whenever the current stock of merchandise ran low, for the reserve could not be broken into until the arrival of the annual supply ship.

The value of scrip depended on the credit of the provisional government which was always an unstable thing on account of the uncertainty of its revenues. After the passage of the currency law in 1845, public dues, like private debts, were payable in wheat. The various elements in the heterogeneous currency came to have a value very divergent from their nominal worth, and the little coin that found its way into circulation began to command a premium. Two prices were quoted for goods or services according as payment was expected in coin or in "currency," and the cash price was commonly one-third lower. When the *Spectator* began publication the subscription price was fixed at $5.00 per annum, but "owing to the peculiar condition of the currency," a discount of 33⅓ per cent. was allowed for cash. In 1847, however, the cash price was raised to $4.00.[1] When the Oregon Printing Association was organized, the price of shares was placed at $10, and payment was evidently expected in cash; but the report of the treasurer shows that the majority of the stockholders paid in "currency" and at the rate of $13.33 per share.[2] In November, 1846, John Fleming addressed the directors of the Printing Association, offering to publish the *Spectator* for $900 per annum, "the payment to be made

[1] *Spectator*, August 6, 1846, and January 7, 1847; see also letter of George Abernethy to stockholders of Oregon Printing Association, dated December, 1847, in Oregon Historical Society's Collection.

[2] Report of Treasurer Oregon Printing Association, in Oregon Historical Society's Collection.

in the following manner, viz.: orders on solvent merchants and gold and silver, allowing 33⅓ per cent. premium for the latter."[1] At times still larger inducements to cash payment were offered. In January, 1847, A. Husted advertised his farm and city property for sale and added, "If any person wishes to pay specie I will make a discount of fifty per cent."[2] To illustrate still further the range of discounts that were offered, the Hudson's Bay Company, during the winter of 1847 was selling flour at $3 per hundred in currency and $2.50 for cash.

That the confusion of the currency gave rise to legal, as well as practical, complications is shown by the case of Henry M. Knighton *vs.* Hugh Burns. The latter had executed a note for $150 in November, 1845, payable on November 1, 1846. When suit was instituted for collection, the lower courts, including the circuit court of Clackamas county, rendered judgment for the plaintiff for the amount in currency, *excepting scrip*, which had been made legal tender by the act of December 12, 1845. When the case reached the supreme court of the territory, the fact was established that the debtor had twice tendered Oregon scrip, which was promptly refused. Judge Thornton upheld the decision of the lower courts, basing his ruling on Article I, Section 2, of the organic law of the territory, which contained the usual prohibition against impairing the obligation of contract. Any construction of the currency act admitting scrip as lawful money in the case would affect the terms of the original contract by creating a kind of legal tender not

[1] Letter of John Fleming to Directors, "Spectator Papers," Oregon Historical Society's Collection.

[2] *Spectator*, January 21, 1847.

contemplated by either party at the time of its execution, for the law recognizing treasury notes as a part of the currency was not passed for more than a month after.[1]

A second defect of the currency was its failure to supply a convenient medium for settling smaller transactions. There was a dearth of specie, and fractional coins were almost, if not quite, unknown. The shortage of subsidiary coins was severely felt by merchants, who were at a loss how to make change. George Abernethy, a storekeeper at Oregon City, resorted to a novel device for supplying the need. Gathering up some fragments of stone left by the manufacture of Indian arrow heads, he shaped them up and glued about them pieces of paper on which were written the date, his initials and the amount they represented. These "rocks" were passed out as change, and were worth their face value in goods at some future date.[2]

But the most serious defect of the currency was its *insularity*, its lack of portability and its limited acceptability outside the colony itself. Its use retarded economic progress by favoring isolation and preventing the establishment of proper commercial relations with the outside world. An important function of money is to facilitate exchanges over broader areas than those within the compass of a barter economy. The adoption of a currency which passes readily throughout wider geographical areas has been followed by an ever-increasing expansion of markets and the promotion of intercourse between buyers and sellers more remote from each other. This growth of commercial relations has been accompanied by an increased diversification and localization of industry

[1] Opinion of Judge Thornton, printed in *Spectator*, June 24, 1847.

[2] *Oregon Native Sons*, *Magazine*, vol. i., p. 90.

which has enabled all trading peoples to participate in the advantages of production under the most favorable conditions. When a modern society is isolated and denied the advantages of exchange it is forced to diversify industry; and, since it is scarcely conceivable that any people possess equal facilities for the production of many things, the result is a loss in efficiency. Further waste is avoided only by a nice apportionment of labor and productive power between the trades. Since under the assumption the society can not supply its want by exchanging its surplus, the state of industry must give rise to neither. Such precise adjustment of production to consumption is possible only where industry has developed gradually in response to the growth and differentiation of wants. In new communities there is too often an unexchangeable surplus of one thing and an unavoidable scarcity of another. Trade within a limited area may be carried on with the help of a crude and rather cumbersome currency, wholly distinct from that of the outside world; but to maintain dealings with other peoples and to share in the benefits of unrestricted competition the community must furnish a medium of exchange possessing stability and certainty of value and a reasonable degree of compactness. The lack of such a medium in Oregon prior to 1848 forbade the entrance of trading vessels into the country more effectively than the Columbia River bar. If commercial operations had been confined to the area covered by the Willamette settlement, the farthest extremity of which was not over one hundred miles from the principal market at Fort Vancouver, no serious obstacles would have been encountered. But the new colony was equipped for producing only a few of the many articles needed by its members, and the

deficiency had to be supplied by buying from abroad. Since the chief industry was farming, the natural medium of purchase was a surplus of agricultural products, particularly wheat. It was just here that the difficulty arose. Independent traders from without would not unload cargoes of merchandise in Oregon except at very high prices, if they were obliged to accept wheat or flour in payment, for all accessible markets for breadstuffs were open only to the Hudson's Bay Company. American merchants who first established themselves in Oregon had no machinery for the manufacture of flour and failed to command the necessary means of transportation. These conditions fostered a British monopoly and enabled it to control the exportation of foodstuffs and the importation of merchandise and to fix the price on both purchases and sales.

The difficulties which had to be overcome before purchases could be made, even in an adjacent market, were well exemplified by the experience of the Willamette Cattle Company, organized in 1838 for the purpose of importing stock from California. The only available means of payment were found to be a quantity of wheat, credit on the books of the Hudson's Bay Company, and possible drafts of the missionary establishments on eastern boards, none of which could prove acceptable to the Spanish herdsmen in California. The difficulty would have been well-nigh insuperable had it not been for the presence of W. A. Slacum, of the United States navy, who furnished some ready cash in exchange for drafts on mission boards. The Hudson's Bay Company was induced to take $800 worth of stock in the enterprise and provided additional specie. Through an interchange of store credit and orders the money was apportioned

among the shareholders and the association equipped with the necessary means of purchasing cattle.[1]

The state of the currency was likewise responsible for the extreme difficulties encountered in financing the Cayuse Indian War in 1847. After the outbreak which culminated in the Whitman massacre it was incumbent on the territory to send a regiment of soldiers to the interior to quell the uprising and to rescue the captives. In December, 1847, a loan commission was appointed to provide for the expense of the expedition by pledging the credit of the government to the extent of $100,000, if necessary. The only firm capable of making the necessary advances of money and goods was the Hudson's Bay Company, and to them the committee addressed an application for a loan. "Chief factor" Douglas replied, however, that he had no authority to grant loans or make any advances whatsoever on account of the Hudson's Bay Company. Cut off from this source of expected aid, financiers were forced to fall back on the resources of settlers in the Willamette Valley. Many of these, influenced by patriotic motives, made liberal advances. Contributions were, however, mainly in the form of produce, merchandise and orders on stores at Oregon City. Wheat passed as legal tender in the Willamette settlement, but could be transported to Eastern Oregon only with considerable difficulty and expense. Furthermore, of what use were "orders on solvent merchants" in Oregon City to an army operating in the region east of the mountains? The commission was obliged to offer a premium of 33⅓ per cent. for cash and got very little at that. Philip Foster received a

[1] Gray, *History of Oregon*, p. 155; Slacum's Report, *Twenty-fifth Congress, Second Session, Senate Report* 24, p. 13; S. A. Clark, *Stories of Early Oregon*, p. 221.

bond for \$50 on payment of \$37.50 in coin, and John B. Price was tendered a \$25 note for \$18.75.[1] The best efforts of financiers were able to provide for only a part of the expenses of the commissary department; and, at the close of the war, the report of the commission, with that of the adjutant-general, shows that the campaign had cost the territory in the neighborhood of \$170,000, only a small fraction of which had been met by private subscriptions. By an act of 1848 the whole debt was refunded. Old scrip was exchanged and new notes issued, signed by the governor and secretary instead of the loan commissioners, and bearing interest at ten per cent. per annum. The scrip was made payable to bearer and it was hoped that confidence in the intention of the national government to assume the debt would enable creditors to realize something at once. The Thirty-first Congress, in 1851 made an appropriation of \$100,000 to be applied to the debt, and final settlement was reached by an additional grant of \$75,000 three years later.[2] Until such disposition of the debt was made, new scrip was given the legal-tender quality and circulated as a part of the heterogeneous currency.

The commercial and monetary situation gave rise to the "hard times" of 1847–1848, the phenomena of which were those of disproportionate production or of unequalized supplies. Wheat, which in earlier days became a natural medium of exchange because it was "purchased with avidity by the merchants," now became so plentiful that the surplus was unmanageable. Agitation was begun for the amendment of the currency law of 1845 and the repeal of the clause making wheat a legal

[1] Report of Loan Commission, *Oregon Archives*, 1843–49, p. 288.

[2] *Thirty-first Congress, First Session, House Journal*, p. 279; *Congressional Globe*, vol. 28, pt. iii, p. 2239.

tender.[1] In his message of December 7, 1847, Governor Abernethy advocated rescinding that portion of the act which made treasury drafts and orders on solvent merchants legal tender, but favored the continued acceptance of the former in payment of taxes and public dues. The recommendation was justified on the ground that gold and silver had become somewhat more plentiful and that coin might now be made the only legal tender without detriment to the community. The governor adds: "Still I think wheat had better remain in connection with gold and silver; it is a staple article and can always be disposed of to merchants and others."[2] The legislature took a different view of the matter, however, and passed an act repealing the entire section which made orders on solvent merchants, treasury drafts and wheat legal tender, and ordaining that henceforth "nothing but gold and silver shall be lawful tender in payment of judgments rendered in the courts of Oregon, where no special contract has been made to the contrary." Treasury drafts were retained as a lawful tender in the payment of taxes and salaries of public officials not otherwise provided for by law. The provisions of the act were not to apply to any contract or liability entered into previous to the fourth day of March, 1848, when it became a law.[3] The action of the legislature was upheld on the ground that it was necessary to deprive wheat of its legal-tender quality in order to safeguard the interests of creditors.

While the granaries were bursting with wheat and mills

[1] See editorial in *Spectator*, November 25, 1847.

[2] Message of Governor Abernethy, in *Spectator*, December 25, 1847.

[3] Law, approved December 20, 1847, published in *Spectator*, January 6, 1848.

and warehouses were packed with flour, there was a dearth of clothing, boots and shoes, groceries and manufactured articles. The natural fitness of the soil for the production of wheat, coupled with a brisk initial demand for the same, still further strengthened by legislation imparting a legal-tender quality, had directed the energies of the whole population to wheat-raising. The consequence was the accumulation of an unexchangeable surplus. Under a régime of active trade with dissimilar societies, such specialized use of natural resources at the outset might have proved a positive advantage. But the absence of effective competition gave rise to a scarcity and high prices of common articles of consumption. "Under the present system," said Thornton in his memorial of 1848, "prices are enormously high, being from 300 to 400 per cent. in advance of the retail prices of the Western States, after goods have paid a land and water carriage thither from the Atlantic seaboard."[1] The memorialist goes on to say (p. 14) that merchants, being without competition, are charged with establishing their own prices. Farm implements, tools and hardware were particularly dear, and the enterprise of the settler was discouraged at the very outset. An ordinary, cast-iron plow sold for $45, and nails brought from 20 to 25 cents per pound. Axes sold at $4.50 to $6, and cross-cut saws at from $8 to $12. Groceries of the staple sort also commanded high prices, a medium grade of tea selling for $1.50 per pound and coarse Sandwich Island sugar at from 12 to 15 cents. Common split leather shoes sold at $5 a pair, and spelling books, worth 25 cents in the East, were held at $1 in Oregon, while the settlers

[1] *Thirtieth Congress, First Session, Senate Miscellaneous Document* 143, pp. 11-12.

complained that their children were "growing up in ignorance."[1]

The absence of an acceptable medium of exchange retarded the development of trade relations with the possible markets of the coast and the Sandwich Islands, and prevented the colony from exchanging a surplus of one kind for a much-needed sufficiency of another. As long as no new trade circuits could be established, existing markets were restricted and largely under the control of a single trading company; and the means of transportation were wholly inadequate. From March, 1845, to February, 1846, only nine crafts of any description entered the Columbia, and of these only two were independent trading vessels.[2] The Hudson's Bay Company regularly employed the barks *Vancouver* and *Cowlitz* and the schooner *Cadboro* to handle the coast and Island trade; but how feeble was the competition is shown by the record of shipping from 1840 to 1848. During this period but sixteen independent trading vessels entered the rivers of Oregon, and of these only six discharged cargoes of merchandise or supplies for the settlers. The remainder merely called at the mouth of the Columbia for shiploads of fish, lumber and provisions for California or the Island ports. The first attempt by American merchants to establish a direct trade with the Hawaiian Islands was made in the spring of 1845 when the *Chenamus* made a trip to Honolulu. This vessel appears to have made but one voyage; but in the spring of 1846 the Island trade was taken up by the American bark *Toulon;* and one year later the brig *Henry* began

[1] M. M. Carver in *Spectator*, August 20, 1846. On high prices see list in *Thornton's Memorial;* also *Palmer's Journal*, pp. 117–118.

[2] *Spectator*, February 5, 1846.

making regular trips between Oregon and California and the Hawaiian Islands.[1]

Still another factor helped to create a deficiency in supply and abnormally high prices which were the "natural consequence of such unequal competition." This was the same commercial advantage the Hudson's Bay Company had possessed over Wyeth and early rivals in the fur trade. British merchants shipped their annual supply of goods direct from England free of duty, which enabled them, without loss, to undersell the American competitor.[2] The possession of such a decisive advantage tended to keep the potential competitor from the field or to force the actual competitor into an agreement to maintain prices arbitrarily fixed by the British monopoly. So feeble was the competition of American merchants that prices were actually higher after their advent than before. They complained bitterly of their inability to compete with the Hudson's Bay Company, and even petitioned the officials to put a higher price on their wares. In compliance with this request British traders raised the price on sales to American settlers while continuing to sell at the old figure to British subjects. This agreement was entered into for a period of two years.[3] Thornton's memorial of 1848 asked for the collection of duties on foreign merchandise entered at the mouth of the Columbia as a means of protecting American merchants, equalizing competition and increasing the amount of goods brought into the country.[4]

[1] Bancroft, *History of Oregon*, vol. ii., pp. 15–18, note.

[2] Hastings, *Emigrants' Guide to Oregon and California*, p. 117.

[3] *Palmer's Journal*, p. 117. On low prices previous to the coming of American merchants, see R. B. Sage, *Scenes in the Rocky Mountains*, p. 223.

[4] *Thirtieth Congress, First Session, Senate Miscellaneous Document* 143, p. 11.

In a report of Neil M. Howison to the commander of the Pacific squadron, in February, 1848, we have this picture of the economic condition of Oregon:

The granaries are surcharged with wheat; the saw-mills are surrounded by piles of lumber as high as themselves. The grazier sells his beef at three cents a pound to a merchant who packs it in salt and deposits it in a warehouse to await the tardy arrival of some ship to take away a portion of the surplus.[1]

This intolerable condition was charged to a combination of merchants and shippers for the purpose of oppressing the colonists in a twofold way, by refusing to ship produce for them and by forcing the acceptance of goods in exchange at prices "ruinous to the settlers and destructive to the country."[2] A bushel of wheat would exchange for only two and a half pounds of nails or three panes of window-glass. Naturally the Hudson's Bay Company, the largest and most powerful of trading establishments, had to bear the brunt of the blame. It was charged with making enormous profits on wheat which was purchased from the farmers, turned into flour and sold to incoming immigrants, or exported to the Hawaiian Islands. Estimates place the purchases of 1846 at 40,000 bushels, which were had at a total cost of $24,000 in goods. This quantity turned into flour, after paying the customary toll to millers and receiving forty pounds per bushel, netted 1,600,000 pounds, which, at the usual price of four cents, sold for $64,000. Deducting the original cost of the wheat, the net profit was $40,000, or $1 on every bushel purchased. If the flour was exported

[1] *Thirtieth Congress, First Session. Senate Miscellaneous Document* 143, p. 17.

[2] Rocky Mountain Boy, in *Spectator*, January 7, 1847.

to the Islands and sold at $10 per barrel the return, after deducting the original cost of grain, freight and cooperage, would be $34,800.[1] As a matter of fact these gains were greatly exaggerated, as a large share of the crop of 1846 was paid for at the rate of 80 cents per bushel, and the current price of flour at Vancouver was three cents in place of four.[2] A defender of the British company also contended that flour shipped to the Sandwich Islands in the spring of 1847 sold on six months' credit at $8 a barrel.[3] At any rate, the anti-monopolistic feeling found expression in very strong terms. A writer in the *Spectator* maintained that even the gold which the poor immigrant brought to the territory lost a part of its value. While in the States the sovereign was worth $4.84, in Oregon it could be passed to "these all-controlling monopolies for but $4.50."[4]

However much opinions might differ as to the special symptoms of the economic ills, all were agreed that the fundamental and aggravating cause was a lack of competition both between the buyers of produce and the sellers of merchandise. This condition was favored by the peculiar character of the currency and a lack of transportation between Oregon and accessible markets of the coast and Hawaiian Islands. The deficiency of shipping may have been due partly to the poor condition of the Columbia River mouth, but merchants were prone to exaggerate the perils of "this six-fathom channel" for the same reason that they were incensed at any publicity given to the schedule of current prices lest it should serve to invite competition. The *Spectator* said in an

[1] *Spectator*, April 20, 1847. [2] *Ibid.*, February 4, 1847.

[3] Observer, *Spectator*, March 4, 1847.

[4] *Spectator*, January 7, 1847.

editorial on January 21, 1847: "The commerce of Oregon has hitherto been stunted in its growth—kept so conveniently small as to suit the avaricious desires of a few monopolists, who . . . have managed, up to the present to drive away and stave off competition in trade, the only safeguard people have against extortion." The conviction was general that conspiracy in trade was responsible for the continued scarcity of merchandise and the low price of wheat, and that under normal conditions, good prices might be had for produce while supplies could be obtained at a reduction of at least one hundred per cent.

Any effective resistance to the organized greed of merchants could scarcely be expected from without, and the sole remedy was to establish a rival trading company among the colonists themselves. The practical obstacle in the way of this scheme was a lack of convertible capital, the only available fund being a surplus of wheat. Before this asset could be utilized a resource of a different kind was necessary to provide shipping facilities. Since the credit of a single individual, or even of a small group of individuals, was insufficient for the requisite step, it was hoped that the co-operation of farmers and the aggregation of resources would accomplish the desired end. The formation of a "grand and combined exporting company" had doubtless been agitated during the autumn of 1846, but the first definite proposal appeared in the *Spectator* of January 7, 1847—"a plan for relief dictated by necessity." The project was to induce nearly every farmer to subscribe for at least one share in a mercantile company, to be paid for by the delivery of one hundred bushels of wheat at a common mill, granary or store-room. The management was to be entrusted to a president and a board of directors, organized under a constitution, and elected annually by the shareholders.

The life of the corporation was to be at least five years. Officers were to direct the sale and shipment of produce, and to regulate the price on merchandise belonging to the company. It was planned to pledge the credit of the association to charter a vessel for the initial voyage. At the return of the merchant ship each would be allowed to draw, at cost and carriage, every year, one-half or two-thirds of the value of his share in merchandise, the balance to remain until the end of five years as a common fund for acquiring ships and materials for erecting and equipping a mill. At the expiration of that time, if it should be deemed advisable, the company was to wind up its affairs and declare a complete dividend. Through the proposed plan it was hoped to "counteract successfully a system of mercantile extortion that had rarely had a parallel and which must bring poverty and wretchedness in the most fruitful country, . . . if tamely submitted to."[1]

Steps were at once taken to arouse interest in the project and to secure the co-operation of the farmers throughout the agricultural districts of the valley. The first assembly was held at the Methodist meeting-house, in Tualatin plains, on Saturday, January 16, 1847. At an adjourned meeting held shortly after, a number of farmers discussed the best mode of disposing of their surplus produce, but the conclusion reached was adverse to the formation of a chartered company. As an alternative a committee was appointed to select some competent person at Oregon City "to act as agent for each and all in the shipment of produce and the importation of such goods as may be desired by them."[2] The citizens of Champoeg county, however, seemed a little more en-

[1] *Spectator*, January 7, 1847.

[2] *Ibid.*, February 18, 1847.

thusiastic, and at the Salem meeting of February 25, 1847, the following resolutions were adopted:

> *Resolved*, That in view of the grinding oppression and extortion to which the farmers and laboring classes generally are subjected by the few who monopolize the commercial business of Oregon, it is, therefore, highly expedient that the independent yeomenry of Oregon associate themselves together for the purpose of exporting their own produce and importing such necessaries as the wants of the country demand.

It was decided also "to invite citizens in other portions of the country to act in concert with us in furtherance of this grand project," and a committee of correspondence was appointed for that purpose.[1]

During the spring and summer the agitation seems gradually to have died out. The movement evinced a widespread desire for some measure of relief but failed of any practical outcome. The initial difficulties were encountered in attempting to organize the farmers dispersed throughout wide areas of sparsely settled territory. Then, too, the prospective shareholders were wholly unacquainted with business forms and usages which precluded an agreement with reference to the type of organization best suited to the end in view. Even if the movement had succeeded in its preliminary stages further progress was by no means assured. The credit of the co-operative company might have proved inadequate to secure the necessary agencies of transportation, in which case the undertaking would have resulted in nothing more than the collection of several thousand bushels of unsalable wheat in some common depot or warehouse.

But the collapse of the scheme was due in some

[1] *Spectator*, February 25, 1847.

measure to a partial relaxation of the spur of necessity to which it owed its origin. A combination of circumstances in 1847–48 created a demand for flour and lumber, and afforded a temporary relief to the overburdened market. The immigration of 1847 was unusually large, and, after the conquest and settlement of California by Americans, a brisk demand for wheat and supplies caused independent traders to enter the markets of Oregon as buyers of produce. In June, 1847, it was estimated that 20,000 barrels of Oregon flour could find a market in California; and before the arrival of the first considerable cargo by the *Toulon* it was selling in small quantities at from $25 to $30 per barrel. The shipload by the *Toulon* sold readily at $15, thus netting a profit of nearly $10 a barrel.[1] Trade relations once established with the growing settlements to the south were destined to permanent and phenomenal expansion through an event which revolutionized the economic history of the Pacific coast, broke down the barriers which had so long circumscribed the Oregon colony, gave it a currency uniform with that of the commercial world, and emancipated it from the sway of a British monopoly.

[1] Letter of C. E. Pickett to General McCarver, P. H. Burnett, Colonel Ford and D. Waldo, published in *Spectator*, June 10, 1847.

CHAPTER III

California Market, Gold Dust and Private Coinage

The population of Oregon Territory in 1848 included about 13,000 whites, the majority of whom were living on farms scattered throughout the Willamette Valley. Oregon City, the largest and most important town in the territory, had a population of eight hundred; Salem was a mere hamlet; and Portland, soon to become the metropolis, was a village of one hundred people. Excepting agriculture, the only industries worthy of mention were represented by eight flouring mills and fifteen sawmills, two of each class being located at Oregon City.[1] The population was almost exclusively engaged in tilling the soil, and practically no farm machinery was in use.[2] The trades were poorly represented. Blacksmiths, carpenters, masons, millwrights, cabinetmakers and printers were scarce, and could command wages of $5 a day, as against $1 for unskilled labor.[3] Almost the sole articles of export were flour and lumber, which found a market in Alaska and the Sandwich Islands. For April, 1847, the exports included 1736 barrels of flour and 171,000 feet of lumber, and these figures may

[1] Thornton, *Oregon and California in 1848*, vol. i., pp. 329-330.

[2] Cole, S. E., *Stories of Early Oregon*, pp. 35-36.

[3] Thornton, *op. cit.*, vol. ii., p. 252.

be taken as fairly representative of the shipments during the early part of 1848.

Evidence is not lacking to show that the credit of the gold discovery in California belongs to an Oregonian, James A. Bennett, who, until 1846, lived at Salem, and was employed as a millwright at the Methodist mission. In that year he went to California with Captain Sutter, and was, according to some, the first to set eyes on the shining particles in the mill-race.[1] But whether the distinction for the find, which so profoundly modified the economic history of the Pacific Coast and of the whole world, belongs to Marshall or to Bennett, at any rate Oregon and its people were the first to profit by the disclosure, not alone through an early access to the mines, but, in a larger degree, through the creation of a contiguous market for which the accumulated surplus of provisions and lumber was only a partial supply, and for which the annual production of the whole Pacific Slope was for several years inadequate.

The first news of the discovery of gold in California reached Oregon in August, 1848, when the farmers were busy with the harvest. The report that men were taking an average of $100 a day from the placers caused an exodus of fortune-seekers by sea and by land, which continued until the following spring and threatened the territory with depopulation. Land claims were deserted and cultivated farms were abandoned to women and children. Burnett estimates that two-thirds of the men capable of bearing arms departed during the first season. All occupations were affected alike. The *Spectator* suspended publication with the issue of September 7, "be-

[1] See Manuscript Account of A. B. Roberts, in Oregon Historical Society's Collection.

cause the printer with 3000 of officers, lawyers, physicians, farmers and mechanics were leaving for the gold fields."[1]

The adventurers from Oregon, being among the first to reach the diggings, were among the most successful; but those who remained at home to harvest the crops, to market the surplus grain and lumber, to sow again, and to keep the mills running day and night fared even better than those who left. By the end of 1849 the population of California reached 100,000, and this phenomenal influx of immigration, coupled with a desertion of farms for placer mining, created an extraordinary market for the products of the Pacific Slope. The demand was effective since it was reinforced by ability to pay and that, too, in an acceptable medium.

Nothing is more striking than the way in which transportation facilities responded to the urgent need and the splendid opportunity for trade between Oregon and California. Merchant ships, which shortly before had shunned the ports of Oregon, now thronged the rivers for shiploads of provisions and lumber. There were more than fifty arrivals and departures during the year 1849 as against five for 1847; and in October twenty vessels lay in the river at once awaiting cargoes. Portland, at the head of the easy navigation on the Willamette, sprang into a thriving port. The market was now seeking the product, and provision stores and purchasing agencies were established everywhere throughout the territory.

But Oregon did not profit immediately through the phenomenal rise of prices in California. On the contrary, until competition between buyers of produce had bid up prices in the former market and similar rivalry between

[1] *Spectator*, September 7, 1848.

sellers had reduced them in the latter, enormous profits were realized by traders who took advantage of a difference in price levels. In December, 1848 flour, which was selling in San Francisco for $25 a barrel, could be had in Oregon for $10.[1] The *Spectator* observed that many farmers "complained bitterly and justly at the small prices which they received for their produce at home while such high prices were received for it in California." The editor expressed a hope, however, that competition would tend to equalize prices at different points and recommended the holding of flour at $15 per barrel. Through a fair understanding farmers and merchants might share the profit and be benefited in the same degree.[2] In February, 1849 flour was quoted in the Oregon markets at from $12 to $15 per barrel and the following autumn none sold at less than $15. Wheat had risen from 62½ cents to $2 and lumber was quoted at from $80 to $100 per thousand.[3] But even when competition between buyers had accomplished its purpose, farmers and producers were not the first to profit by the rise. Quantities of wheat and non-perishable produce had been stored in mills and warehouses under merchants' options at reasonable figures. Wheat at 75 cents per bushel might be turned into flour and sold at $12 or $15 a barrel. The merchant and miller merely appropriated the difference.

It is to be regretted that no unbroken record of prices is obtainable for the years immediately succeeding the gold discoveries. Only random and scanty quotations appear in the *Spectator*. The following table gives an

[1] *Spectator*, December 28, 1848. Other San Francisco prices were: pork, $60 per barrel; butter and cheese, $1 per pound; potatoes, 11 cents per pound; lumber, $120 per thousand.

[2] *Ibid.*, December 28, 1848. [3] *Ibid.*, November 1, 1849.

imperfect record of prices covering a period of nearly two years (1849–1851):

Article.	Nov 1, 1849.	Apr. 18, 1850.	May 16, 1850.	June 11, 1850.	Dec. 19, 1850.	May 15, 1851.	July 22, 1851.
Flour, bbl.........	$15	$20	$18	$25	$15	$15	$13
Wheat, bu........	$2	$2	$2	$2.50	$1.50-$2.00	$1.50-$2.00	$1.25-$1.50
Potatoes, bu......		$7					
Eggs, doz.........			50 c.–75 c.	50 c.–75 c.		62½ c.–75 c.	62 c.–75 c.
Lumber, M.......	$80–$100	$75-$80		$50–$60	$40–$50	$25–$35	$35–$45

For the three leading articles of export, flour, wheat and lumber, the above record is fairly complete and shows that the price of the last-named commodity reached its maximum in the autumn of 1849, but by the summer of 1851 had declined fifty per cent. The price of breadstuffs rose steadily until July, 1850, and within a year had dropped one-half. The early decline in the price of lumber was due to the establishment of mills in California to supply the local demand. After the first flush of speculative excitement had subsided, agricultural operations were resumed in the valleys of California and some breadstuffs were imported from the East, which accounts for the shrinkage in the demand for wheat and flour from the north. At first there had been an equalization of prices in contiguous markets to be followed by the same adjustment between more remote ones.

On the whole it is safe to assume that for the three years immediately following the gold discoveries the prices of staple articles of export from Oregon were from 200 to 300 per cent. higher than for the preceding year. The circumstances of settlement in Oregon, the employment of a commodity currency, and the slackness of trade had resulted in the accumulation of an over-supply of

agricultural products. The opening of the California market afforded an opportunity for exchanging the surplus on favorable terms for a currency of a different kind. It was estimated by the business men of Oregon Territory that by the middle of January, 1849, before successful miners began returning and when trade relations with California had fairly been established, that fully $400,000 worth of gold dust had found its way into the community.[1] Soon the Oregon emigrants, satisfied with their fortunes in the goldfields, began returning to their homes, their shops and offices, some being from $30,000 to $40,000 wealthier for the brief absence of less than a year. But the accumulations of returning miners were by no means the chief source of acquisition for the community as a whole. The export trade was far more important since returns for provisions and lumber, instead of being made in Sandwich Island sugar or Alaskan furs, were now made in gold dust.

This new currency first sold in bulk directly against other goods by the aid of scales, being received in settlement of obligations at a stated price per ounce. It diffused itself throughout the community, facilitated exchange, and helped to diversify industry, while affording purchasers a wider option between sellers. By the spring of 1849 the gold dust currency of Oregon had probably reached $100 per capita, representing a large increase in purchasing power—and an opportunity for utilizing it was not long wanting. The rise in the price of what the people sold was accompanied by a corresponding rise in the price of what they wished to buy. In the autumn of 1849 ordinary cook stoves were quoted at from $70 to $130, and in less than two years from the

[1] *Spectator*, January 25, 1849.

date of the gold discovery the price of coarse brown sugar rose from 20 to 50 cents per pound.[1] The prevalence of such prices made Oregon a tempting market for the importer. The demand that had so long existed was now becoming effective. "At that time (1849)," said an old pioneer in 1883, "money was plentiful and goods of various kinds were brought in by ships from the East and indeed from all parts of the world."[2]

But although the metallic medium represented an improvement over wheat, orders on merchants, and territorial scrip, on account of its universally accepted value, its divisibility and portability, it still lacked two essentials of a perfect currency—homogeneity and cognizability.[3] Weighing was at best a wasteful and irregular process, and the precious dust was too apt to be mixed with impurities. In a word, what the community needed was some uniform and authoritative standard of weight and fineness. In spite of the fact that the boundary question had been settled in June, 1846, Oregon was flooded with gold dust from the Sacramento before the territorial governor arrived to assert the authority of the United States, and the first federal mint on the Pacific Coast was not opened until 1854. The delay and indecision on the part of the federal government in assuming control had given rise to much dissatisfaction, and the demand for coinage seemed urgent and destined to be more or less enduring. The agitation for coinage originated with the holders of bullion, and the chief complaint was directed against the merchants who had arbitrarily fixed a low price for gold dust even where it

[1] See *Spectator*, November 1, 1849 and July 11, 1850.

[2] *Transactions of Oregon Pioneer Association*, 1883, p. 34.

[3] For requisite qualities of money see Jevons, *Money and the Mechanism of Exchange*, chapter v.

was exchanged for goods. The object of the movement was not to raise the price of the uncoined metal above the true market rate, as is often the case, but rather to establish a rule of exchange in Oregon on a par with that which prevailed in the mining districts of California. The first miners, on returning from the south, where the current price of gold dust was $16 an ounce, found that Oregon merchants could be induced to offer but $11 in trade.[1] The collection of the Oregon Historical Society contains a number of old account books which furnish a trustworthy record of transactions in which the purchase and exchange of gold dust played a large part. Some of these show conclusively that the grievances against the merchants were well-founded. A ledger of A. McKinlay and Company, who kept a store at Oregon City, contains a gold-dust account, beginning at page 422. The first receipt of dust is registered on January 8, 1849, and reckoned at $16 an ounce. Only a few transactions appear at this figure, however, and after January 25, the price seems to be uniformly $12 an ounce. The record shows a receipt of $150\frac{5}{16}$ ounces up to March 22, 1849, at a total outlay of $1,968.56 or an average of $13.90 an ounce. In return for merchandise as much as $16 is occasionally allowed, but several entries show only $10 to $11 where the exchange was evidently for cash. From January 8 to April 19 the firm accumulated nineteen pounds of gold dust, which was sent to J. N. Cushing, of San Francisco, at $16 an ounce, yielding a total of $3648. The cost of the remittance to McKinlay and Company represented but $3,172.20 in cash and merchandise, and the sum of $475.90 is passed to the profit account. Coins of every description were scarce at this

[1] Curry, in *Transactions of Oregon Pioneer Association*, 1875, p. 72.

time and for some purposes possessed advantages over the crude metal. The person or firm having a stock on hand were able to exchange them for gold dust on favorable terms. The Hudson's Bay Company is said to have introduced a quantity of small silver, much needed in minor transactions, and with it to have forced the price of dust down until at one time they purchased gold at $7 an ounce.[1]

Thus while the need for coinage was universally recognized, the arguments in favor of a territorial mint were supported by deliberate calculations of the savings which would be realized for all but the merchant class through the conversion of gold dust into coin. It was estimated that by August 1, 1849, from $1,500,000 to $2,000,000 worth of gold would find its way into the territory; in January the dust was exchanging for coin at the rate of eleven or twelve dollars an ounce, or about two-thirds of its real value. "One-third of $1,500,000 is $500,000—an amount worth saving."[2]

When the Oregon legislature met in February, 1849, a petition was presented, signed by a number of citizens and setting forth the need for territorial coinage. The memorialists chafed at the delay of the United States in establishing a territorial government in Oregon, and lamented the greed of the merchants. Gold dust to the value of $2,000,000 had already found its way into the settlement, and the amount was continually increasing. The holders of the uncoined metal lost by depreciation, merchants realized unfair gains, and all suffered inconvenience due to handling in the crude state and loss

[1] Notes of James Taylor, Pioneer, p. 11, in Oregon Historical Society's Collection.

[2] *Spectator*, January 25, 1849.

caused by frequent divisions.[1] The territory was cumbered with the Cayuse war debt, and legislators were inclined to foster any scheme which promised to yield an extraordinary revenue, particularly if it could find justification in some existing demand. Between the price of gold dust arbitrarily fixed by the merchants and its true monetary value there was a wide margin; and a portion of this possible profit might be diverted to the government by abstracting a liberal seigniorage while still realizing a saving to its subjects.

An act approved February 16, provided for the "weighing, assaying and stamping of gold," and authorized the establishment of a territorial mint at Oregon City. The preamble of the law alleged, as a justification for the act, that

> large amounts of gold in dust and particles, mixed with other metals and impurities, is being brought to and bartered in this territory; and great impositions may be practiced upon the farmers, merchants and community generally of this territory by the introduction of spurious and impure metals, and great irregularities may exist in the scales and weights used by the individuals dealing in the said article.

The officers of the mint were to consist of a director, an assayer, a treasurer and a melter and coiner, who were to be elected annually by the territorial assembly and were to receive salaries of $1,999 a year. The director was empowered to pledge the credit of the territory and the expected profits of the enterprise to provide the necessary equipment for putting the establishment into operation. The treasurer was authorized to purchase such bullion as had properly passed the assaying depart-

[1] *Oregon Archives, Manuscript*, 188.

ment, "allowing sixteen dollars and fifty cents for gold of virgin purity or twenty-four carats in fineness." Coinage was to take place without the admixture of any baser metals whatever. Only two pieces were authorized by the act, a five and a ten pennyweight piece valued at five and ten dollars respectively, and these coins were made legal tender throughout the territory. Both pieces were to be stamped with the appropriate Roman numeral on one side, while the opposite face was to bear the inscription "Oregon Territory" and the date of coinage around the edge with the arms of Oregon, probably the figure of a beaver, in the central space. All the disbursements of the mint, including the salaries of officers, were to be made in the pieces authorized by the act and the residuum of profit was to be applied to the Cayuse war debt. The offense of weighing and stamping gold in the territory, passing or attempting to pass coins known to be issued without the authority of the act was punishable by a fine of not less than one hundred dollars and imprisonment for not less than one year.[1]

The act provided for the coinage of gold only and so did not have to deal with the troublesome question of the *ratio*. By purchasing fine gold at $16.50 an ounce and converting it into legal-tender coins at the rate of $20 an ounce the provisional government might have realized a gross profit of over twenty per cent. The standard gold dollar of Oregon Territory was to contain one pennyweight or twenty-four grains of pure gold as against 23.22 grains for the standard gold dollar of the United States. Not caring to be too particular about the weight of their coins, legislators evidently threw in

[1] *General Laws of Oregon, 1843–1849*, pp. 58–59; published first in *Spectator*, February 22, 1849.

the extra seventeen cents' worth in a five-dollar piece for the sake of good measure or, perhaps, to compensate for the lack of alloy.

The journal of the provisional legislature records but two objections to the passage of the coinage act. M. Crawford entered a protest on the ground that coinage was an exclusive function of the national government, and that as soon as Oregon became a territory of the United States, the mint must cease operations. It could scarcely be expected that the profits arising from the enterprise during its temporary existence would cover the cost of establishing and equipping the mint. W. J. Martin further contended that coinage, if undertaken at all, should be gratuitous. He protested that the act was "making the territory a shaving machine by allowing only $16.50 an ounce [for bullion]."[1]

The *Spectator* termed the law a "direct and deliberate insult to the federal government." Admitting the desirability of a mint, it contended that the provisional government was not the proper authority to establish it. The editor advocated rather a system of private coinage like that which once obtained in Georgia and North Carolina, where gold was weighed, assayed and stamped with the countenance of the federal authorities, who had even received the pieces in settlement of public dues. These precedents might have been followed in Oregon without deliberate disregard of constitutional law. The provisional government, however, sought to snatch from the United States the sovereign function of coinage by making the output of its mint legal tender and by attaching heavy penalties to the crime of counterfeiting.[2]

[1] *Oregon Archives, 1843-1849*, p. 315.

[2] Editorial in *Spectator*, February 22, 1849.

It must have pained the editor who had entered such a vigorous protest against territorial coinage to announce in another column that the Oregon mint was expected to open for business on March 10, 1849. But the provisional government was destined never to accomplish the task it had undertaken, for Joseph Lane, the first territorial governor under federal authority, reached Oregon on March 2, and, on the following day, issued a proclamation declaring it under the jurisdiction of the United States. The coinage law now became nugatory because in direct conflict with the national constitution.

But in reality the demand for coinage was not altered by the presence of a few federal officials in Oregon. A group of business men took up the enterprise where it had been interrupted by the national government. A meeting was held in the counting-room of Campbell and Smith in Oregon City and steps were taken to form a partnership for the purpose of engaging in the business of weighing and stamping gold. The organization was known as the Oregon Exchange Company and the names of the partners were William K. Kilborne, Theophilus Magruder, James Taylor, George Abernethy, William H. Willson, William H. Rector, John G. Campbell and Noyes Smith. From the fact that Taylor had been appointed director and Willson melter and coiner under the original act and that the legislature was petitioned to confer the privilege of coining on the new company,[1] it may be inferred that the aim was to carry out the purpose of the law without any official connection with the new territorial government. Mr. Rector was a man of some mechanical skill and undertook the

[1] Letter of John P. Rector in *Brown's Political History*, p. 457.

task of providing the rolling-mill and the dies for stamping. With the assistance of Thomas Powell, a Salem blacksmith, he fashioned a satisfactory machine. Tradition has it that the iron used in constructing the mill was obtained from old wagon tires and scraps that were lying about the shop. The crude engraving on the dies was done by Hamilton Campbell.

When the mint was ready for operation gold dust was purchased at the uniform rate of $16 an ounce,[1] and in coining no effort was made to part the metal from impurities. Possibly to compensate for the lack of fineness, pieces were made heavier than those contemplated by the coinage act. The five-dollar piece contained 130 grains of "native gold;" the ten-dollar piece, twice as much. Thus the gold dollar of the Oregon Exchange Company contained twenty-six grains, with a moderate percentage of "native alloy." The output of the Exchange Company amounted in all to $58,500, about $30,000 of which were in the smaller denominations.[2] Realizing that the general acceptance of the money would depend on the public conviction that it contained the requisite amount of gold, the partners stamped on one side of their coins the words "Oregon Exchange Company" around the edge, and "10 D. 20 G. Native Gold 10 D." in the center of the larger piece and "130 G. Native Gold 5 D." on the smaller. On the opposite side of the five-dollar pieces were the initials of the several partners "K. M. T. A. W. R. C. S." forming a semicircle around the edge; and on the larger coins the

[1] Letter of J. G. Campbell to S. E. May, Secretary of State, "History of Mint established in 1849." *Messages and Documents*, 1865, p. 57; also *Statesman*, September 17, 1865.

[2] Brown, *Political History*, p. 454 *et seq.*; J. G. Campbell, cited above, fixes the amount issued at $10,000—an unreliable estimate.

letters appear in the same position but with the omission of the "A" and the "W." In the central space of both coins was the figure of a beaver on a log, and, directly below, the inscription "O. T. 1849," on the larger coin, but with the letters reversed on the smaller. This new currency went by the name of "beaver money" and was a reminder of the days when hunting was the chief occupation in Oregon and the beaver skin passed as currency throughout the domain of the Hudson's Bay Company. The stamped pieces of the Exchange Company proved to be worth from eight to twelve per cent. more than standard coins of the same denominations and commanded a premium at the San Francisco mint which was established in 1854. They were rapidly retired from circulation and only a small number can now be found in coin collections, or, as much-prized relics, in the pockets of Oregon pioneers.[1]

The demand for the weighing and stamping of gold, which had arisen out of a deficiency of coins for everyday business transactions, coupled with an abnormally low price of gold dust, had been met partly by the operations of the Oregon Exchange Company and in part by other economic forces, tending at the same time to raise the market price of the bullion and to increase the proportion of coin in circulation as compared with the crude metal. Merchants, who for a time made large profits on purchases of gold dust at from $11 to $12 an ounce, were soon accepting it in exchange for goods at $16. The account book of the Oregon City merchant, already referred to, shows that, after April 23, the current price of gold dust was $16; and a remittance of 22 pounds to J.

[1] The coins together with the dies may be seen in the office of the secretary of state at Salem, Oregon.

N. Cushing, on May 10, yielded but $4.22 profit to the purchaser; a similar sale of nine pounds on May 21 gave rise to a surplus of only $2.50.[1] In the *Spectator* of April 18, 1850 gold dust is quoted at $15.50 an ounce for cash and $16 in trade.

The results here noted had come about through three distinct causes. In the first place, competition between merchant buyers of dust had caused them to bid up the price and to eliminate the profit they sought to realize. The accumulations of gold dust were sent to San Francisco, where a quantity of coins, principally Mexican and Peruvian dollars, had found their way into the channels of trade. Steady importations of heterogeneous coins into Oregon in return for consignments of gold dust tended to relax the demand for a convenient medium of exchange and, at the same time, to check the avarice of money changers. Of like effect were the operations of returning miners. As long as the low price of gold dust persisted in Oregon, miners, homeward bound, would, on embarking from San Francisco, invest their holdings in specie at $16 an ounce. Once in Oregon the bag of coin might be converted into gold dust at the rate of $12 for an ounce; and thus, through the magic of two simple transactions, the harvest of the diggings was increased one-third. But every transaction of this sort tended to lessen the chances of further profit both by strengthening the demand for gold dust and by increasing the supply of coin. Variations between the exchange ratios of gold dust and coin were soon eliminated through these compound operations of purchase in the cheaper and sale in the dearer market.

[1] Account Book of A. McKinlay and Company, p. 432, in Oregon Historical Society's Collection.

Similar in effect, but simpler and more direct in operation, were the activities of the Oregon Exchange Company. As long as it continued to coin "beaver money," it purchased gold dust at the uniform rate of $16 an ounce. True, only a mere fraction of the total amount in the Territory, probably not over three per cent., ever passed through the mint at Oregon City, but during its operation every ounce of gold dust in the Territory was potentially worth $16, and the "mint price" established a norm for regulating the market.

Thus, long before the San Francisco mint was established, Oregon, as well as California, was supplied with a working volume of metallic money, consisting in a variety of coins ranging from the local output of "beaver money" to the silver coins of Mexico and the remote South American states, with a moderate admixture of English pieces which had been thrown into circulation through the agency of the Hudson's Bay Company. With the opening of the United States mint at San Francisco an opportunity was afforded for converting the foreign pieces into standard and subsidiary coins of the United States, which gradually supplanted them. The Pacific Coast was now supplied with a metallic currency more than adequate for the needs of business, which became a source of economic strength and the basis of a new industrial order.

The power of the Hudson's Bay Company over the settlement was at last completely overthrown, for it no longer controlled any considerable share of the export and import trade of the country. For a time the company sought to make the most of changed conditions by dealing in gold dust at profits which proved to be transitory. After the assumption of control by federal authorities in Oregon, British traders were obliged to pay duties

on all merchandise entered at the mouth of the Columbia, which robbed them of the advantage they had so long enjoyed over American competitors. The company now began to retire from Oregon and Washington and to transport its movable property to posts further north. Fort Vancouver was abandoned in 1860 and other posts deserted or left to Indian allies.[1] As a last act of extortion the allied companies asked for an indemnity of nearly $5,000,000 for alleged loss of property in Oregon and Washington,[2] but after a long and tedious investigation of the claims a moderate compensation of $650,000 was finally offered and accepted.[3] When federal officials came to assume charge they found that almost every species of movable property had been withdrawn, lands were taken by British and American settlers, and there was little left for occupancy but a few dilapidated forts.

The economic situation had undergone a noticeable transformation since the gold discovery and the immediate outlook was not at all encouraging. Industry was prostrated and the utilization of other natural resources had been neglected for the more glittering prospect of the mines. In haste to reach the diggings, men had even failed to sow the customary crops; and, for the ensuing year, farms were left untenanted and fertile fields were lying waste. As the summer of 1849 approached it looked as if the few fields of grain would be "white for the harvest" but lacking the reaper. Mills that had furnished the first cargoes of flour and lumber for export were now standing idle for the want of laborers. The country had parted with the fruits of past industry and

[1] Bryce, *Remarkable History of the Hudson's Bay Company*, p. 413.

[2] See *Statesman*, June 26, 1865.

[3] Bryce, *op. cit.*, p. 413; *Congressional Globe*, vol. 91, pt. iv, p. 3460.

current production was arrested. The revival of trade threatened to be checked by a complete suspension of industry. It seemed as if the sudden acquisitions of gold were soon to be drained from the country in exchange for necessary articles of consumption, only to be replenished at times through the prodigality of returning miners. Governor Lane even expressed fears lest the harvest of 1849 would prove insufficient for the needs of the territory itself, and that recourse must be had to the importation of food supplies.[1] Even the most sanguine saw that the outlay of the territory must soon exceed the income unless means were adopted and vigorously applied to draw out the resources of the country and to swell the volume of exports.[2]

The need for a suitable currency and an easily accessible market had both been met by the gold discovery in California; what the country now wanted was a quantity of productive labor and this was to be supplied by a return flow of immigration. Soon many of the miners, already satisfied with their fortunes in the gold fields, began returning in order to improve their farms, to beautify their homes, to build mills and factories and river boats, and to profit by the rise in prices and the increased activity of trade.[3] The discovery of rich deposits of gold in Southern Oregon in 1852 served to attract the adventurous class, who became miners first and farmers or mechanics afterward. The prospect of taking a donation claim of 320 or 640 acres in the fertile valleys of Oregon also lured many thither when they had amassed a modest fortune in California and were casting about for a home or a promising field for investment.

[1] *Thirty-first Congress, First Session, Senate Document* 52, p. 4.

[2] *Spectator*, August 29, 1850.

[3] *Thirty-first Congress, First Session, Senate Document* 52, p. 9.

The temporary suspension of production was followed not only by a revival but by a diversification of industry as well, and herein lie the permanent and salutary effects of the alteration in the commercial and monetary situation. The function of a currency is not only to facilitate trade as an end in itself, but, by furthering exchanges, to favor the division of labor as far as industrial reasons exist for its extension. The lack of trade relations with the commercial world prior to the gold discovery, as well as the sluggish condition of domestic trade, had imposed a penalty on effort more specialized than want. The artisan who applied himself to a single trade usually had to rely on the "coincidence of barter" for the proper disposition of his product and the satisfaction of his wants. With an adequate currency to facilitate the diffusion of products, workers were enabled to dispose of the fruits of their own industry, however varied, provided only they were fitted to satisfy an existing want, and with the proceeds could command at convenient seasons and in suitable form and quantity the products of other labor. The presence of money in abundance stimulated import trade because it created an alertness to put forward something which would buy gold; and it acted in a similar way toward domestic industry by constituting a spur to production as well as importation. Thus the very change which made Oregon a buying colony and favored the establishment of trade relations with the outside world so reacted on internal conditions as to lessen the need for such intercourse.

Nothing is more striking than the way in which the whole industrial life of the community underwent a transformation through the possibility of specialized labor and the chances for its profitable application to undeveloped resources. A sudden expansion of the currency, or the

possession of a larger purchasing power by the community, had occasioned a phenomenal rise in the price of many products, the raw material of which might be had for the taking. Although the cost of labor had risen, it responded more slowly to the impetus, and the rise in wages was scarcely commensurate with the rise in commodity prices.[1] For a time the margin of profit for the employer was widened and so furnished an extraordinary stimulus to production. Farms were supplied with better tools and implements; mills were equipped with better machinery; steamboats, even in excess of the actual demand,[2] thronged the rivers, while improved methods of transportation took the place of the "slow, painful pack-train." Though several years elapsed before the first railroad was in operation, the preliminary agitation for railroad building began in the winter of 1853–54, when the legislature granted charters to four railroad companies. The channel of the Willamette was widened below the falls and the stream was rendered navigable as far as Salem. A canal connected La Creole River with the Willamette and ferries were in some places discarded for bridges.[3] Money which served to facilitate exchange by furnishing a convenient means of payment between buyer and seller, was now providing the necessary agencies for moving goods from place to place.

Oregon did not, however, escape the evils that commonly follow a sudden expansion of the currency. Conditions were peculiarly favorable to overspeculation, and the territory had to pass through a period of painful

[1] In 1849–1850 mechanics received from $8 to $10 a day and unskilled laborers from $4 to $5. See *Thirty-first Congress, First Session, Senate Document* 52, p. 4.

[2] *Spectator*, October 7, 1851.

[3] Bancroft, *History of Oregon*, vol. ii., p. 256.

readjustment before industry could attain a healthy growth. The abnormal state of the market had exalted business enterprise to the point of rashness. For the less active members of the community unwonted prosperity too often led to extravagance, profligacy and sloth; for the oversanguine investor, to unwarranted speculation.[1] The quick spectacular successes in the California mines had dazzled the popular mind and made it impatient with steady industry and gradual accumulation. After the discovery of gold in northern California and the Rogue River Valley, a passion for prospecting, exploration and development seized the people. Valleys, hitherto unknown, were explored and platted, and towns were laid out in regions inhabited for the most part by Indians. Even in the settled portions of the Willamette the mania for starting new towns was so prevalent that none could attain any considerable growth. A visitor to Oregon City in 1850, when the population had scarcely reached a thousand, noticed that building lots, even on the outskirts of the town, could not be had for less than $200, and that small wooden houses of two rooms rented at fabulous prices. The little village was even then planning costly promenades and other ornamental improvements.[2] Lured on by high prices and abnormal conditions of trade, the fearless investor embarked on industrial enterprises without estimating the strength and stability of the market. Indeed, the whole economic life of the territory was one in which sober, far-sighted calcutions of the future played little part, and the reaction of 1854 was only the natural consequence.

The local depression seems to have set in some two or three years earlier than the national crisis, and, though

[1] F. A. Chenoweth, *Oregon Pioneer Association Transactions*, 1883, p. 34.

[2] Coke, *Ride Over the Rocky Mountains*, p. 329.

traceable to similar causes, it was largely independent of general conditions. It was true of Oregon, and perhaps to a less degree of California, that they were more or less detached from the eastern half of the United States, and, in the wider market, were buyers rather than sellers. During the fiscal year 1853-54 the total foreign trade of Oregon amounted to a little over $90,000. The causes of this depression were to a large degree engendered within and connected with a local excess of metallic money which could not readily find an outlet in foreign trade. Men and capital had been diverted from the more stable pursuit of agriculture to highly speculative undertakings. Surplus funds were invested in enterprises which failed to yield the expected returns or developed more slowly than their sanguine promoters had hoped. Although many mining properties, for example, turned out to be moderately productive, a large share of such undertakings nevertheless failed to repay even a small fraction of the sums spent in their development.

But there were some substantial reasons for the depression which grew out of the changed commercial relations with California. The brisk initial demand for flour and lumber was due, not to a scarcity of timber and agricultural resources within reach of the mining districts, but rather to a temporary deficiency in the means of utilization. Sawmills were soon erected on the same streams that had furnished the placer beds; and casual failures in the diggings sent scores of the less sanguine back to the farms but lately abandoned for the mines. The Oregon market began to suffer from a reduction in the price of staple articles of export. Although the depression of 1854 was severely felt, it was nevertheless of short duration; and before the national crisis of 1857 had fairly set in, the prosperity of Oregon Territory was again on a stable basis.

CHAPTER IV

CIVIL WAR, LEGAL TENDERS AND THE ADHERENCE TO COIN

PRIOR to the completion of the transcontinental railroad the commerce of Oregon, as well as that of the whole Pacific Coast, was conditioned by a certain degree of isolation, a lack of free intercourse with the outside world and with the eastern half of the United States; and this fact furnishes the key to the monetary history of the whole antecedent period. The surplus products of Oregon, Washington and California regularly found a market in the islands of the Pacific or in the neighboring ports along the coast. During the years 1862–1865 the total exports from Oregon to foreign ports amounted to $504,549 while the foreign imports for the same period were but $236,886.[1] Leaving out of account the domestic trade, then, the balance was in favor of Oregon to the extent of $267,663. Naturally the Pacific Coast states were large users of manufactured articles purchased in eastern markets, and goods which might under different circumstances have been imported directly were, as a rule, entered at Atlantic ports whence they were consigned to traders in the far west. From this situation it happened that the favorable balance on foreign trade was paid to Oregon in gold, which had become almost the sole currency of the Pacific Coast

[1] *Commerce and Navigation*, 1863, p. 274; 1864 65, p. 324; 1865–66, p. 662.

region as a result of successive discoveries and extensive mining operations in California, Oregon, Idaho and Australia; while purchases in the eastern markets might be settled for in lawful money of the United States, whatever it happened to be. In case then of an attempted circulation of depreciated paper concurrently with gold, the Pacific Coast states occupied a position of advantage in being able to sell for the dearer and buy with the cheaper money. If now custom and law favored the use of gold as a medium for local transactions, specie might easily be retained notwithstanding the introduction of an inferior currency, provided only the latter were legal tender in the eastern markets. The volume of paper money would be kept down by the demands of domestic trade and the supply of gold could be kept up by regular accessions from abroad.

It was, then, the commercial position of the Pacific Coast region that contributed to a rather unique and interesting solution of the legal-tender problem during the civil war period. In Oregon, as in California, greenbacks were never used extensively in ordinary business transactions and never displaced gold and silver in such a measure as to become the standard of value. On the contrary, they always occupied the position of an auxiliary medium of exchange, or became subjects of speculative investment and were received or sold at fluctuating prices continually referable to the undisturbed standard of ante-bellum days. Incidental to the economic isolation of this western region was a certain degree of political insularity as well. On account of remoteness from the seat of the national government the Pacific states and territories had enjoyed the advantage of an independent existence and a measure of exemption from federal authority. The commercial and political situation was

obviously opposed to a disturbance of settled monetary standards, and favored both the restricted use of legal tender notes and the strict subordination of their value to that of gold; and local custom and law strongly inclined to the same end. The phenomenal output of the mines in California, Oregon and Idaho had supplied a metallic currency fully adequate to the needs of business. The community had long been accustomed to the exclusive use of coin and there was a stubborn determination to keep it. Being warned, too, by the experience of the past, Oregon and California had sought to rule out any competitor for hard money by forbidding the issue and circulation of bank bills. When delegates to the constitutional convention met at Salem, in 1857, some doubtless recalled the days of colonial Oregon when, besides gold and silver, wheat, orders on merchants and territorial scrip were all legal tender within the intention of the law; and the real values of some elements in this amorphous currency were widely divergent from their nominal value. Naturally they sought to prevent the recurrence of such inconvenience and confusion by ordaining in the fundamental law that no bank of issue should ever be chartered by the state government. Article XI, Section I of the state constitution is worded as follows:

"Nor shall any bank, company or institution exist in the State, with the privilege of making, issuing or putting into circulation any bill, check, certificate, promissory note, or other paper, or the paper of any bank, company or person to circulate as money."

Such banks, came into existence prior to the establishment of the first national bank in September, 1865, were of necessity private or partnership concerns and were denied the privilege of issuing notes.[1] While in

[1] The oldest banks in Oregon are those of Ladd and Tilton, estab-

the East, bank bills composed about one-half of the entire currency[1] and the circulation of legal-tender notes merely meant the substitution of one kind of paper for another, the circulating medium of the Pacific Coast was free from any admixture of this sort and the people were not prepared for the reception of greenbacks through any previous experience in state banking.

When, therefore, the first legal-tender notes, issued under the Congressional act of February 25, 1862, found their way into Oregon through the disbursements of the federal government, the commercial community was momentarily in doubt how to deal with this foreign element in the currency. Patriotic and loyal citizens began by declaring their willingness to accept the obligations of the national government at par. To them it seemed that to discount United States notes would tend to undermine public confidence, to impair the credit of the government, and possibly to affect the issue of the war. For a time the sentiment prevailed that, if only public opinion were generally in favor of accepting greenbacks at face value, this new species of currency would retain its legal-tender quality and be saved from depreciation. It would circulate freely and no one would lose in the transactions it settled provided everyone else was willing to account it as good as gold. The *Oregonian* of August 8, 1862 urged every loyal citizen "to join in an effort to sustain the credit of the government by receiving cheerfully the United States notes as the currency of the land. Let business men at once advertise to receive it in all their business operations, and thus they will give it currency."

lished in Portland in 1859, and of Ladd and Bush, at Salem, started in 1863. See Knox, *History of Banking*, p. 842.

[1] *Report of the Comptroller of the Currency*, 1902, p. 26.

On the third day of December, 1862, the citizens of The Dalles held a public meeting to consider the subject of legal-tender notes, and passed the following resolutions:

Resolved, That, in the opinion of this meeting, any person who shall in any manner attempt to depreciate the established currency of our government is considered by us an enemy of his country and unworthy of either the confidence or support of good citizens.

Resolved, That we, the laboring and producing citizens of The Dalles and vicinity, pledge ourselves to trade only with persons who are patriotic enough to take *the faith of the government at par*.

The correspondent of the *Evening Bulletin* reported that the second resolution was passed without a dissenting vote, and added that, in case it was adhered to, it would have a salutary effect on the future circulation of the much-abused greenbacks. "But alas," he continues, "human nature is powerful weak, and the experience of the world is that non-intercourse resolutions are oftener than otherwise a mere paper blockade, which each one of the resolvers quickly violates whenever pressed by his own convenience or necessity."[1] The *Oregonian* was, however, less sceptical about the efficacy of such resolutions, and urged that, "if merchants everywhere would resolve not to deal with any except those who take notes at par, all will soon do so."[2]

If a willingness to accept legal-tender notes at par was to be the established standard of patriotism, the whole community soon began to betray alarming symptoms of disloyalty, for the value of paper money fell off rapidly in

[1] Oregon Correspondent, in San Francisco *Evening Bulletin*, December 8, 1862.

[2] *Oregonian*, December 6, 1862.

spite of resolutions to maintain it. Those who refused to be bound by legal-tender provisions of the federal government urged as an excuse for their conduct that the constitution of their own state forbade the circulation of paper. The stand taken by The Dalles community was anomalous and could not well be maintained. Before long the merchants entered into an agreement to accept greenbacks, temporarily, at ninety cents on the dollar. They no longer passed at par for goods sold over the counter, though they were sometimes received in satisfaction of old debts.[1] Elsewhere the sentiment prevailed that the acceptance of legal tenders in considerable sums would necessitate a rise in prices and subject them to disturbance and change, and that the most disastrous state for a commercial community is one of uncertainty. Furthermore, high prices, resulting from inflation accompanied by an unsettled condition of industry, might result in overspeculation and attendant evils. Fears were also entertained that the use of depreciated paper would admit of shaving down debts and would enable banks to pay their patrons in greenbacks in return for deposits in gold. The development of the Pacific Northwest had followed close on the heels of the gold discovery and there was a widespread conviction that the prosperity owed its existence to the use of a metallic currency. Some were shrewd enough to see that large importations of paper must result in the displacement of gold. The sentiment gained support that, even if it were possible, by resolutions and agreements to maintain the parity of paper with gold, the new currency should not be treated more kindly in Oregon than in neighboring states lest business men should soon see

[1] *Statesman*, December 18, 1862.

"immense bales of treasury notes in place of the piles of gold they were accustomed to."[1] The solution of the problem seemed to consist in the establishment of a reliable market quotation for greenbacks uniform with that which obtained in contiguous markets, stating at what prices notes could be bought and sold and received in settlement of debts.

Early in November, 1862, the business men of San Francisco had taken steps to secure a circular agreement not to receive or pay out legal tenders at anything but market value—gold being adhered to as a standard. The aim was to secure the signatures of the leading firms in San Francisco and in the chief commercial centers of the interior. A customer who had once insisted on paying in greenbacks at par would have his name published among the signers of the merchants' agreement, and henceforth he should receive goods only on payment of gold in advance.[2] Banks refused to receive United States notes on deposit, and merchants and jobbers began marking their bills, "Payable in United States gold coin."

After such decisive action on the part of business men in California, even the most loyal citizens of Oregon were convinced that similar agreements must be adopted as protective measures. On November 25, the merchants of Salem met and passed a resolution to the effect that United States notes could not be adopted as a basis of the currency; but agreed temporarily to accept them at the rate of ninety cents on the dollar. On the question not to accept legal-tender notes as a regular currency there was not a dissenting voice. On the second propo-

[1] *Statesman*, August 18, 1862.

[2] San Francisco *Bulletin*, November 10, 1862.

sition one merchant, wishing to adopt the San Francisco rate, voted in the negative; while still another was opposed to setting a definite price and wished the market to regulate itself.[1] The market price of greenbacks fixed upon by the Salem merchants was three per cent. higher than the San Francisco rate and eighteen per cent. above the New York quotation. The situation became more critical as the California price declined to 84 cents. On January 15, 1863, a meeting of Portland business men was called and seventy-nine of the leading firms adopted the following agreement:

In view of the extensive importation of U. S. Legal Tender notes for the purpose of speculation and the consequent loss entailed on the trade here and elsewhere throughout the State, the undersigned hereby agree to receive them at rates current in San Francisco, as published from time to time in the daily papers of Portland, Oregon, by Ladd and Tilton Bankers.[2]

This event marks the establishment of a settled market quotation for the depreciated greenbacks. The leading newspaper of the state now justified the course of Portland business men on the ground that "some such action was necessary on the part of citizens to keep paper currency from absorbing [*i. e.*, driving out] all the gold in the country."[3] Portland was the metropolis and commercial center of the state, and the example of her business men was followed quite generally throughout the community, Within a week Oregon City merchants had agreed to accept greenbacks only at Portland quotations.[4]

[1] *Statesman*, December 1, 1862; *Semi-Weekly Sentinel*, December 6, 1862.

[2] *Oregonian*, January 17, 1863. [3] *Ibid.*

[4] *Ibid.*, January 24, 1863.

It was generally conceded that steps of this kind were necessary for common protection and calculated "to prevent further losses from futile endeavors to sustain the price of legal tenders at a figure above that which ruled in the neighboring state of California."[1] Even where no formal action was taken, business men naturally fell into the habit of referring to the Ladd and Tilton quotation as a guide for daily transactions in legal-tender notes.

Long before the merchants' agreements were struck and a uniform rate agreed upon, business men had prudently sought to guard against payment in depreciated paper by stipulating in contracts that settlement should be made in specie, and it became the fashion to print on bill-heads in conspicuous letters "Payable in coin only."[2] Those who still proffered greenbacks and claimed a legal right to force their acceptance at par were promptly blacklisted and their names were circulated for the convenience and protection of the merchant class. Even before its January meeting the merchants' association of Portland had issued a circular declaring that customers who insisted on settling bills in legal-tender notes should be added to the blacklist and published among its members. It soon came to be a dishonorable practice to pay greenbacks at face value, and a man once guilty of the offense became a commercial outcast. When it was noised about that a customer had been guilty of "greenbacking" a creditor, business men declined to have any dealings with him in case payment was expected after the delivery of goods or the performance of service. Public opinion came to have a force akin to that of law. The *Oregonian* said in an editorial on March 7, 1863:

[1] *Oregonian*, January 24, 1863. [2] *Statesman*, August 11, 1862.

If a man on this coast, where gold is the basis of the currency, uses legal-tender paper to pay a debt that both parties intended should be paid in coin, or its value, he is a cheat and ought to be so regarded. Unless his poverty or necessity makes the payment, as agreed, impossible, and in this case he is an insolvent—a bankrupt.

The reproach which public opinion visited on the act, coupled with the grave prospect of commercial ostracism, usually proved an effective safeguard against defrauding creditors. Instances of "greenbacking" for any considerable sum were so rare as to deserve special mention in the newspapers.

Gold and silver were not lacking to meet the demands of trade and the quantity of legal-tender notes was relatively unimportant. In February, 1863, it was said that the currency of the country was almost "purified of paper money" and the newspapers announced their willingness to assist in keeping it so.[2] The Pacific delegation was urged to use its influence toward securing an arrangement with the Secretary of the Treasury under which no more greenbacks should be paid out in California and Oregon; but that the gold, collected on the Coast in the shape of duties and direct taxes, should be paid out on current account.[3] Hard money persisted as the standard of value and for the most part as the medium of exchange. In the East gold was largely withdrawn from circulation and became an object of speculation, while government paper became the regular medium of payment and the basis of credit transactions. On the Pacific Coast the situation was exactly reversed. Here gold and silver

[1] See *Oregonian*, September 10, 1864.

[2] See *Oregonian*, February 14, 1863.

[3] *Oregonian*, January 17, 1863.

alone were bankable, and the depreciated paper did not circulate freely but was bought and sold at a varying percentage of its face value. In the East the common practice was to quote the premium on gold in terms of the standard which displaced it; on the Pacific Coast the prevalent habit was to give the price of greenbacks in the undisturbed standard of gold.

The status of the United States notes was now definitely decided by the commercial community. To effect the necessary legal adjustments was the task of legislator and jurist. Generally speaking, statutory enactment as well as judicial interpretation served only to fortify the position taken by business men against the acceptance of greenbacks as currency, and helped to enforce a strict subordination of their value to that of gold and silver coin. One important act of the territorial legislature, passed over six years before the Civil War, was only accidentally in favor of the restricted use of legal-tender notes. This law prescribed that "the sheriff shall in all cases pay over to the county treasurer the full amount of territorial and school taxes in gold and silver coin;" and another section of the same act directed that "the several county treasurers in this territory shall pay over to the territorial treasurer in gold and silver coin the amount of territorial taxes charged to their respective counties; which territorial tax shall be paid out of the first monies collected and paid into the county treasury."[1] This legislation being anterior in point of time to the introduction of legal-tender notes was framed without reference to them and based on the assumption that the currency was, and would remain, metallic. Curiously

[1] *Statutes of Oregon*, p. 438, section 32, and p. 441, section 46. Act passed January 30, 1855.

enough the law had failed to prescribe that taxes should be collected in coin. With the advent of greenbacks, some sheriffs, knowing that satisfaction must be made to county and state officials in coin, prudently declined to accept legal tenders in payment of taxes. Such was the stand taken in Marion county, but in Linn county and a few others greenbacks were received for county but rejected for state taxes. In Clackamas and Columbia counties sheriffs, easily converted to the view that taxes were debts, received legal tenders in satisfaction of both state and county taxes, evidently relying on the federal act to compel their acceptance by state officials. Agreements between sheriffs to blacklist the property owner who proffered greenbacks would have proved a weak expedient, and, since commercial honor was not at stake, taxpayers usually insisted on the acceptance of the cheaper money. In January, 1863, Josephine, Linn and Columbia counties tendered all or a part of their state taxes in United States notes. Mr. Cooke, state treasurer, promptly rejected the paper but receipted for coin. Provided state taxes were not settled within ten days after the first Monday in February, the counties would incur a penalty of twenty per cent. for delinquency. Columbia county recalled her greenbacks and proffered specie instead.[1] In the case of Linn county the tender included $4000 in paper and some $400 in coin, and the state at once began suit against the county treasurer to recover $4000 in specie. The case came up for consideration in March, and Judge Boise decided that, while United States notes were a legal tender for all private debts and such public dues as were enumerated in the federal act creating them, they were not necessarily a legal tender

[1] *Statesman*, February 2, 1863.

for state taxes; and judgment was rendered against the county for $4000 in coin.[1]

Early in 1864, Jackson, Josephine, Douglas, Lane, Benton and Clatsop counties, undaunted by the decision against Linn, tendered greenbacks for taxes of 1863. The gross sum due from these divisons was $20,712.14, and at the date of tender United States notes were quoted at about sixty-five cents on the dollar.[2] At the fall session of the legislature a special act was passed allowing ninety days to counties that had tendered greenbacks and now wished to make them equivalent to gold. In January, 1865, Jackson county deposited $5.000 in gold in addition to $10,000 of paper, already tendered, in satisfaction of taxes for the years 1863 and 1864.[3]

The disorganized condition of state finances arising from the delinquency of several counties demanded a settlement of the issue once for all; and in April, 1865, Oregon filed a complaint against Lane county, in the circuit court of the state for that district, to recover $5460.96 *in gold and silver coin*, which sum had become due as state revenue from the county on the first Monday in February, 1864. The county answered that the amount had been tendered to the state treasurer on the twenty-third day of January *in United States notes*, and contended further that this lawful money was a part of the first paid into the county treasury in compliance with the assessment of 1863. The circuit court upheld the claim against Lane county, and the judgment was

[1] *Ibid.*, March 30, 1863.

[2] See Message of A. C. Gibbs, published in *Oregonian*, September 17. 1864.

[3] *Oregonian*, January 21, 1865.

affirmed by the supreme court of the state. The grounds taken by the higher tribunal may be briefly stated as follows: Taxation is a matter belonging peculiarly to the state and, if so as to the time of levy and the amount, then equally so as to the means by which the tax when levied shall be paid. Existence of the commonwealth is vitally dependent on its revenues, and to allow that Congress can interfere with the free exercise of this power, either with respect to amount, assessment, collection or means of payment, would be granting the right to destroy state governments. While United States notes are undoubtedly legal tender for the payment of all obligations upon which Congress properly legislates, the federal legislature did not aim to make them an absolute discharge for state taxes. Such obligations have none of the characteristics of public and private debts, for a debt is something arising from and due upon contract and coming under the processes of the law and the adjudication of the court. A tax is a judgment in inception fixed *without the consent of the taxpayer*. It does not need the issuance of an execution to enforce it. If not paid in due time, penalties follow; and upon default of the taxpayer, his property passes by collector's sale to a purchaser; or, in other words, he loses the title to his real estate. There is none of the mutuality that belongs to a contract. The state law requiring county officials to pay over the amounts due from them in coin implied the collection in coin. "If any other than gold and silver money could be paid on taxes and the treasury filled with cloth or paper dollars, how could the treasurer be expected to pay over gold and silver coin?"[1]

[1] Whiteaker *vs*. Haley, 2 Oregon, 128 *et seq*. The printed decision in the case of State *vs*. Lane County does not appear in Oregon Reports, but the legal question involved and the reasoning here employed are evidently the same.

An appeal was taken to the Supreme Court of the United States, where a decision was not reached until December, 1868. The federal tribunal, however, sustained the decision of the lower court, accepting its interpretation of the statute as final and holding that the extent to which the taxing power shall be used and the mode in which it shall be exercised are wholly within the discretion of the state legislature. While the Congressional act had expressly declared that United States notes should be legal tender in the payment of federal taxes, it was never the intention of the law to compel their acceptance by state officials for state revenue. The federal judges also upheld the lower court in the view that taxes are not debts but in the nature of compulsory payments from subjects.[1]

But while judges were busy with the interpretation of the territorial tax law, newspapers and the public generally had been busy debating the advisability of its repeal or amendment. Business men were firm in their conviction not to accept greenbacks as currency; but there was a strong sentiment in favor of making them the basis of fiscal transactions. It was a shameful exhibition of disloyalty, said some, for a state not to accept federal notes in payment of its own taxes and dues. By excluding United States notes from this field of circulation the state only helped to further their depreciation.[2] The treasury was empty by the autumn of 1864, and ten or twelve thousand dollars were needed for immediate disbursement. The amount tied up in litigation between state and county governments was nearly $22,000, and many advocated the acceptance of greenbacks by the

[1] Lane County *vs.* Oregon, 7 Wallace, p. 71.

[2] *Statesman*, May 9, 1864.

state treasurer, with the understanding that they should be paid out at the current market rate.[1] It was urged against the adoption of a paper currency for the settlement of private debts, that the laborer should not be obliged to accept $9.75 instead of $12 for his weekly wage.[2] Clearly the theory underlying this statement was that, with the adoption of a cheaper money, prices must rise in proportion to its depreciation while wages remain stationary or advance more slowly. This consideration, however, did not apply to public officials, whose salaries were matters of legislative determination, and might readily be adjusted to suit the medium in which they were paid. Advocates of such a policy were, however, confronted with the practical obstacle that the price of greenbacks, even on the Pacific coast, was subject to continual fluctuation, and anything like an equitable adjustment for all time was impossible. Furthermore, conservative citizens were opposed to the reorganization of state finances in such a wholesale fashion.[3] At any rate popular discussion as well as judicial deliberation had served to emphasize the defect of the old territorial tax law, namely, its failure to prescribe that the process of paying over coin should begin with the taxpayer himself. True judges had held without exception that such was the implication of the act,[4] but the reasoning on this point was not wholly satisfactory, and some even hinted that judicial decisions had been warped by selfish considerations. It became a common saying that legal-tenders might pay anything but judges' salaries.[5] As

[1] Letter in *Statesman*, October 10, 1864.

[2] Letter in *Statesman*, August 12, 1862.

[3] *Oregonian*, September 24, 1864.

[4] See case of J. Teal *vs*. H. J. Waldron, *Statesman*, January 4, 1864.

[5] *Statesman*, May 9, 1864.

the time approached for the fall session of the legislature in 1864, the sentiment gained ground that whichever policy the state should adopt, all doubtful points should be settled by the legislature, not the judiciary. Accordingly, by an act approved October 21, 1864, it was expressly stated "that all taxes levied by state, counties, or municipal corporations therein, shall be collected and paid in gold and silver coin of the United States and not otherwise."[1] Another section of the same article provided that all salaries and claims against the state, county, school district, or municipality, should be paid in gold and silver coin, "except that, when any other lawful money of the United States shall be received by any disbursing officer of the state, county, school district, or municipal corporation, otherwise than for taxes, the same must be paid out in satisfaction of such salaries or claims *at its market coin value*." The receipt taken in such transactions should specify both the nominal and the market coin value of such sums disbursed.

But there was a class of payments growing out of contractual or semi-contractual relations between citizens and the state government, and it could not be denied that these were public debts, distinguishable from taxes in that the element of compulsion was lacking. Such, for example, was the purchase price of public lands made over to the state for educational purposes. For dues of this sort, coming within the scope of the federal act, state officials could not well escape payment in legal-tender notes. Even at this point the legislature went as far as it could with safety in prescribing that the fee, which was required from the purchaser at the date of

[1] *General Laws of Oregon, 1843–1872*, p. 772, section 1.

sale, should be paid in coin;[1] and if only a part of the purchase price was paid at the execution of the contract, interest on the remainder should be paid in coin only.[2] The effect of all these provisions was to reduce the financial operations of the state, county and municipal governments to a strict metallic basis.

In April, 1863, California had passed a specific contract act, guaranteeing repayment in the same kind of money borrowed, provided a clause to that effect was inserted in the original agreement; and Oregon now began considering the advisability of a similar law. It was urged in support of such a measure that much free capital was leaving the state for safe investment in California. The community was vitally interested in retaining its funds for promoting public improvements, financing industrial undertakings, and building railroads and canals. Since capital will not embark in enterprises attended by abnormal risks, the state should afford the largest possible security to the lender. To this end he should be permitted by law to insure himself against repayment in depreciated paper. Unless such safeguards were provided, mobile capital would gravitate to safer fields of investment and the country would "grow feebler and poorer day by day."[3] Furthermore the trade of Oregon with her southern neighbor was of prime importance, and it was feared that California, with her specific contract provisions, would refrain from dealing with Oregonians unless she could provide for the settlement of balances in gold.

[1] It would have proved an interesting point if the courts had been called upon to decide whether a payment of this sort is a debt or a tax, but the question was never raised.

[2] *General Laws of Oregon, 1843–1872*, p. 635.

[3] *Oregonian*, September 24, 1864.

On the other hand it was argued that a specific contract act was in reality a *specious nullification act*, and calculated to suspend the operation of a federal law. Even admitting the advisability and justice of such a measure, there yet remained the question of its constitutionality. True the highest court of California had already proncunced in favor of specific contracts, but the final decision must of necessity rest with the federal Supreme Court and that organ would decide from the national standpoint and not from the viewpoint of some remote corner of the Union.[1]

When the matter came up for legislative consideration in October, 1864, advocates of a specific contract act pointed to the fact that agents of the government on the Coast had executed contracts payable in coin only, and asked why individuals should not be accorded the same privilege. Furthermore public opinion had virtually established a specific contract law and an act of the legislature would merely legalize an unwritten practice. At any rate "an act to enable courts to enforce the specific performance of certain contracts" passed the state senate, on October 4; by a vote of 10 to 7, and on the following day was accepted by the house, the vote standing 23 to 14. As a matter of fact the courts had already shown a disposition to uphold contracts for the payment of a specific kind of money, and the passage of this law merely meant that the execution of such agreements was quite common and that they were deemed necessary for the orderly conduct of business. The sentiment of the community was, therefore, strongly in favor of providing legal safeguards against their infringement. The act provided that the courts of the state, in

[1] *Statesman*, September 26, 1864.

giving judgment or decree on a written contract for the payment of gold coin, legal-tender notes, or any other kind of lawful money specified in such contract, shall, if either party require it, adjudge that the principal sum and the interest thereon, but not the costs of the suit, shall be paid in the kind of money so specified. A written contract to pay gold coin or its equivalent in dust or bars shall, at the option of the party entitled to the benefit, be deemed and held to be a contract to pay coin only. A judgment or decree on a contract calling for the payment of a particular kind of money must be satisfied in the kind of money specified. Gold and silver coins of the United States to the respective amounts to which they are legal tender shall always be received at their nominal value in the settlement of all contracts, liabilities, judgments, decrees and executions.[1]

Thus the policy which finally prevailed with reference to currency complications was to allow gold and silver, which had been for years the customary standard and the sole medium of payment, to remain the only standard in ordinary business transactions, and to require paper, wherever used as a secondary medium, to be valued like any other commodity at its market price. The reason sometimes assigned for this solution of the legal-tender problem is that the adoption of a currency is a matter of social agreement to recognize a particular thing, when presented in a particular form, as lawful money or as the representative of wealth; and that the Pacific Coast states had not consented to admit anything but gold and silver as currency.[2] The experience of small com-

[1] *General Laws of Oregon, 1843-1872*, pp. 743-744.

[2] An argument similar to this is presented in the *Statesman*, April 2, 1865.

munities like The Dalles, however, had demonstrated that mere arbitrary or conventional sanction of paper money could not maintain its circulation at par. The retention of gold as the only standard and largely as a medium of exchange on the Pacific Coast is explained, partly, by a lack of experience with paper currency and a sort of incipient aversion to its use; but chiefly by an enduring attachment to gold, which was regarded as the natural and peculiar currency of the Pacific Slope. The commercial and industrial prosperity of this region dates from the era of gold discovery. The mines of California, Oregon and Idaho had emptied their treasures into the channels of trade, and, at the magic touch of gold, the sluggish pools of economic life were teeming with manifold activities. Every glittering goldpiece was now a sort of talisman which conjured up a picture of the "days of '49" with their deeds of daring, self-sacrifice and triumphant success; and the possession of a metallic currency lent a sort of social buoyancy, a universal optimism. When the currency problem presented itself, business men promptly reached the conclusion that the wholesale acceptance of greenbacks meant the surrender of gold. The commerce of the Pacific Coast was, so far, mainly domestic, and there was no demand for gold to settle balances in foreign trade or to pay import duties. If paper had been allowed to displace gold, the whole stock of metallic money would have gravitated to the commercial centers of the East and ultimately into the hands of speculators to be supplied to merchants buying abroad. It should be recognized here that conditions in the far West were more favorable to the retention of coin, for the volume of paper which reached that section was slight as compared with the quantity circulating in the East. Oregon was far removed from the seat of

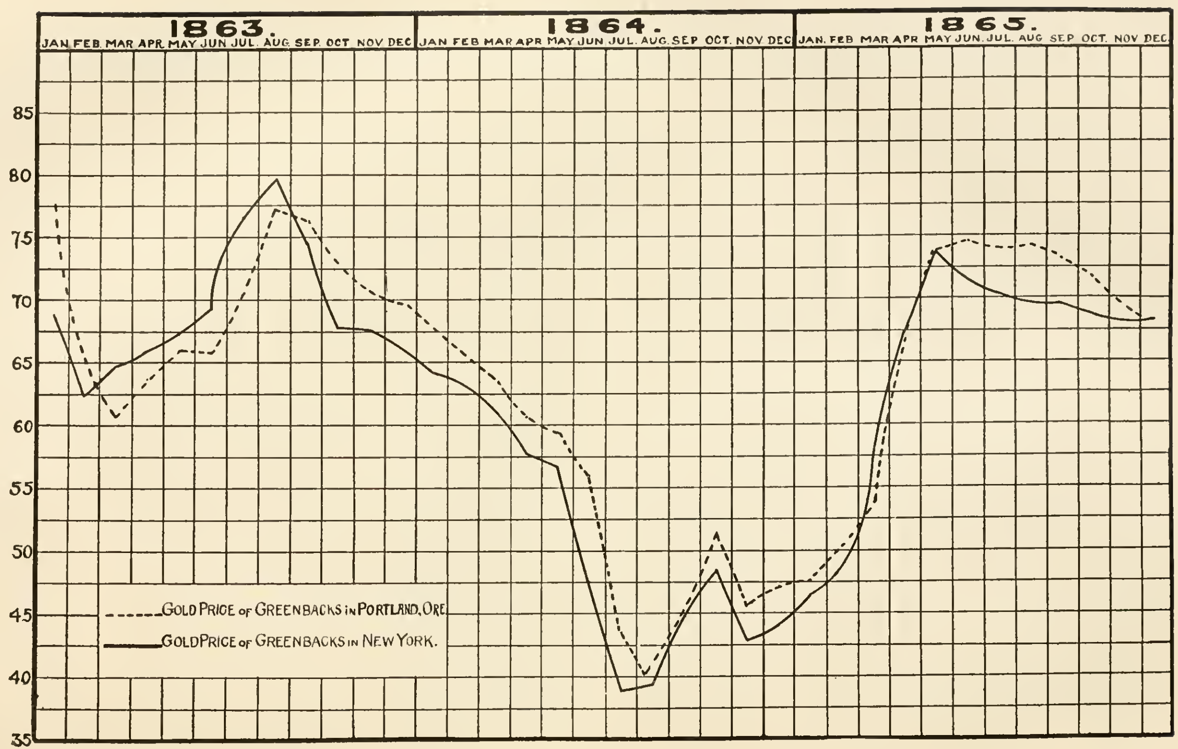
the war, and federal operations in the Pacific Northwest were limited in scope. Furthermore, commercial intercourse with the Atlantic Coast was almost exclusively a buying and not a selling trade, the latter being confined chiefly to Alaska, California and the Sandwich Islands. Commercial operations tended, therefore, to withdraw legal tenders instead of augmenting the supply. Up to January, 1863, it was estimated that, of the $300,000,000 of greenbacks issued, only $160,000, or a little over one-twentieth of one per cent., had found their way into the currency of Oregon and Washington.[1] From the suspension of specie payments, January 1, 1862, until January 1, 1879, when gold and silver had practically disappeared from the currency of the East, it is estimated that fully $25,000,000 in coin remained in circulation on the Pacific Slope.[2]

Western papers, evidently with a view to exonerating the citizens from a charge of disloyalty for abusing legal-tender notes, now began to point with distinct pride to special advantages accruing to the federal government from the local adherence to gold as a circulating medium. The presence of coin, even in a limited section of the Union, inspired confidence in foreign countries and strengthened the credit of the government abroad. Gold in circulation remains in the hands of many at once, thus increasing the difficulties of cornering the supply and of forcing the price up indefinitely. At the resumption of specie payment the country would not be completely drained of coin and lacking in the means of making outlays necessary to establish confidence.[3]

[1] *Sentinel*, January 7, 1863.

[2] *Report of the Comptroller of the Currency*, 1902, vol. i, p. 121.

[3] See, for example, *Oregonian*, October 1, 1864.


1863.
1864.
1865.
JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC
85
80
75
70
65
60
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50
45
40
35
GOLD PRICE OF GREENBACKS IN PORTLAND, ORE.
GOLD PRICE OF GREENBACKS IN NEW YORK.

The position of Oregon and California on the greenback question was anomalous, and it remains to note briefly some of the economic consequences of their attitude toward legal-tender notes. Before comparing the coin value of United States notes in the extreme sections of the country, it must be remembered that the bills in question were more than legal tenders; they were promises of the federal government to pay coin at some indefinite date in the future. The value which attached to such notes depended primarily on the popular estimate of the degree of certainty that the issuing government would be both willing and able to meet its obligations. The coin value of legal tenders was affected by the quantity in circulation only so far as the increase in debts enhanced the liability of repudiation. Clearly the thing which threatened both the solvency and the integrity of the federal government was the civil war then in progress, and the price of greenbacks naturally rose and fell with the fortunes of war. The Pacific Coast states were far removed from the seat of the struggle, and their citizens never quite appreciated the severity of the conflict, the attendant destruction of property, and the burden imposed on the industrial strength of the north. The relative scarcity of paper on the Coast, as compared with coin, may have operated also to affect the exchange ratio in its favor. It is not at all surprising, therefore, that the gold value of legal-tender notes on the Coast was generally higher than at corresponding dates in the East. The diagram inserted opposite this page exhibits the relations between the fluctuating prices of greenbacks in New York City and the market quotation in Portland, Oregon, during the years 1863–65. It will be observed that only from April to August, 1863, and during March and April, 1865, were the monthly averages in the Port-

land market below the eastern figure, and for the remainder of the period the quotations were more favorable. From September, 1863, to January, 1865, the western price was on an average 5.7 per cent. higher than the New York market would warrant.[1] The lowest monthly average for New York was that of July, 1864, when greenbacks were rated at 38.7 cents, and on the 11th of that month, a dollar in paper was worth only 35 cents in gold. The corresponding figure for Oregon during the same month was 43.5; and the Salem *Statesman* noticed that legal tenders were scarce in that locality and some had been sold for 50 cents on the dollar. Not only were the market quotations in Portland generally higher, but were subject to less violent fluctuations, traders and speculators seeming on the whole less sensitive to the ebb and flow of public confidence. The facts here enumerated tend to support the view that little, if any, of the value attaching to greenbacks depended on their legal-tender quality. On the Pacific Coast where they were denied the status of money, where in fact they lost the characteristic of a forced loan and became almost wholly subjects of speculative investment, they commanded a higher price than in the East where their legal-tender quality was never questioned.[2]

For debts contracted prior to the passage of the legal-tender act there was no safeguard against payment in depreciated paper. Some creditors undoubtedly suffered through the unforeseen substitution of a cheaper money. In the case of Clark and Wood *vs.* T. W. Ayres, it was

[1] This calculation bears out the statement in the Portland *Oregonian* of July 2, 1864, to the effect that brokers and business men on the Coast were in the habit of adding five per cent. to the New York quotation.

[2] On the legal-tender quality of United States notes in the Eastern States, see Walker, *Money and Trade*, p. 201.

held by Judge Shattuck that judgment creditors were bound to accept greenbacks at par whenever offered;[1] and, in the case of Plank Road Company *vs.* James Terwilliger, the jury was instructed that it had no right to specify the kind of money in which the judgment should be paid.[2] But while the law allowed debtors to pay in legal tenders, public opinion strongly condemned the practice and so served as a wholesome check on the temptation to defraud creditors. Long before the passage of a specific contract act it became a practice to make accepted bills and notes in effect contracts to pay coin only; and the loss to creditors on debts created subsequent to the introduction of greenbacks was inconsiderable. There was a class of old debts for which paper was usually accepted. Editors frequently advertised that greenbacks would be taken at par in settlement of delinquent subscriptions, even where the discount was considerable.

In the Eastern states, where coin was displaced altogether and legal tenders became the standard of value, the depreciation of paper showed itself in a rising price of both gold and commodities. The law might compel the acceptance of a cheaper money but could not prevent the rise in prices that were subject to frequent revisions in the market. Provided only sellers can foresee a decline in the value of the monetary standard, they will prevent loss by adjusting prices to the medium in which payment is expected; and a transaction of a given bulk will merely create a larger debt than formerly. Statistics show that wholesale prices in Eastern markets rose 115.5 per cent. from 1861 to 1865.[3] If, however,

[1] *Sentinel*, October 23, 1862. [2] *Oregonian*, February 28, 1863.

[3] *Aldrich Report on Wholesale Prices, Wages and Transportation*, vol. i., p. 9.

we reduce these figures to coin prices by making allowance for the premium on gold, the rise is less marked,[1] and can be accounted for by the withdrawal of productive forces from the industrial field and the consequent curtailment of supply. On the Pacific Coast the derangement of the economic order was scarcely appreciable, and gold remained the standard of value during, as before, the war. Here the depreciation of paper registered itself directly in a market quotation more or less below par, and general prices remained unchanged. The table on the opposite page shows the results obtained by averaging the wholesale prices of a dozen articles most frequently quoted in the Portland market during the years 1860–1865; and by comparing prices of the years 1861–1865 with those current in 1860. From the figures it appears that the general price level of 1861 was actually lower than that of 1860; the index numbers of 1862 and 1864 were slightly above the normal and the prices of 1863 and 1865 show an advance of fifteen and twenty-four per cent. respectively. Taking the period as a whole, war prices did not differ markedly from those which obtained in 1860. Commodity prices, measured in gold, remained comparatively stable while the value of legal-tender notes fluctuated independently.

An error committed by newspapers at the time and copied by careless historians of the period was that Oregon merchants made excessive profits by buying in Eastern markets with paper and selling for gold while advancing prices to correspond with those which obtained under the changed standard of the East.[2] The superficial observer may have been misled by the fact that the selling prices of many articles of import corresponded roughly

[1] The *Aldrich Report* gives the index numbers representing gold prices as follows: 1860, 100; 1861, 100.6; 1862, 114.9; 1863, 102.4; 1864, 122.5; 1865, 100.3.

[2] *Statesman*, April 3, 1865.

Commodity.	1860.		1861.		1862.		1863.		1864.		1865.	
	Ave. Price.	Per Cent.	Ave. Price.	Per Cent.	Ave. Price.	Per Cent.	Ave. Price.	Per Cent.	Ave. Price.	Per Cent.	Ave. Price.	Per Cent.
Flour, bbl.	7.00	100	6.12½	87.5	9.00	128.5	8.00	114.3	6.75	96.4	10.50	150.0
Bacon, lb.	.15½	100	.11½	74.2	.11⅞	76.2	.13	83.8	.17¾	114.5	.21⅝	139.5
Lard, lb.	.15⅛	100	.11⅝	76.8	*	*	*	*	.13 1/10	86.6	.21	138.8
Syrup, E. Boston, gal.	1.07½	100	.97½	91.6	.77½	72.0	.80	74.4	.70	65.1	.78¾	73.2
Sugar, Island, lb.	.10	100	.10¼	102.5	.12	120.0	.14½	145.0	.13	130.0	.12¼	122.5
Coffee, Rio, lb.	.19¾	100	.18¼	92.4	.26½	134.2	.30	151.9	.27	136.7	.24½	124.0
Coffee, Java, lb.	.25	100	.26½	106.0	.28¼	113.0	.32	128.0	.33¾	135.0	.30	120.0
Salt, ton	36.25	100	35.00	96.6	32.50	89.6	*	*	50.00	137.9	37.50	103.4
Wheat, bu.	.81¼	100	.61¼	75.3	1.11¼	136.9	.97½	120.0	.88¾	109.2	1.39 2/10	171.3
Oats, bu.	.67½	100	.37½	57.0	.69⅜	102.7	.78¾	116.6	.68⅛	100.9	.63¾	94.0
Eggs, doz.	.36¼	100	.19⅛	52.7	.27⅝	76.3	.40⅜	111.3	.28¾	79.3	.34⅝	95.5
Butter, lb.	.28¾	100	.22½	76.5	.30¾	106.9	.32½	113.0	.31½	109.0	.42½	147.8
Index number	......	100	......	82.4	......	105.1	......	115.8	......	108.4	......	124.0

* No quotations available.

to the market quotation in the East, which amounts to the same thing as saying that the gold price in the far West was much higher. This difference was due, however, chiefly to the cost of transportation and had existed even before the war. If one merchant had sought to command unfair prices for his wares a competitor stood ready to furnish the article at a figure approximating the gold cost on the Atlantic Coast plus transportation charges and the ordinary profits of trade.

Closely allied to this fallacy, was the equally erroneous impression that something in the monetary situation on the Coast imposed peculiar hardships on federal officials, who were paid in depreciated paper and were obliged to make purchases at gold prices by discounting their greenbacks. Essentially their position was not different from that of similar employees in the East. Officials of the same class were paid uniform salaries in the same medium. In the Eastern states purchases were made at prices which rose approximately with the premium on gold, or inversely with the decline in the value of paper. On the Pacific Coast prices remained fairly stable, while the holder of greenbacks was obliged to pass them at a market rate which varied inversely with the eastern quotation for gold. The hardships, common to all sections, were due to the fact that salaries of federal employees did not change, while they were paid in a depreciating medium. The price of many manufactured articles was doubtless higher on the Coast than in eastern markets, and, in some localities, the cost of living was greater. Peculiar hardships may have resulted from a failure on the part of the general government to recognize these sectional differences and to make the necessary adjustments in salaries. Any special cause for complaint, on the part of Western officials, however, existed before the war and prior to the issue of legal-tender notes.

INDEX

VITA.

The author of this dissertation, James Henry Gilbert, was born in Unicoi County, Tennessee, March 9, 1878. His early education was obtained in the public schools of Oregon and California. In 1899 he entered the University of Oregon at Eugene, from which he received the degree of A. B. *summa cum laude* in 1903. At graduation he won the Beekman prize in oratory. In 1904 he was appointed University Scholar in Economics at Columbia, at which institution he studied for the three following years. His appointment as University Scholar was renewed for the year 1905–1906, and he now holds the Garth Fellowship in Political Economy. During his residence at Columbia he has studied under Professors J. B. Clark, E. R. A. Seligman, H. R. Seager, H. L. Moore, Hermann Schumacher, F. H. Giddings, J. W. Burgess, W. A. Dunning and H. L. Osgood; and has attended the seminars of Professors Clark, Seligman and Schumacher.